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Neoliberalism and NAFTA: A Case Study of the Coffee Commodity System and Huatusco, Veracruz, Mexico

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NEOLIBERALISM AND NAFTA: A CASE STUDY OF THE COFFEE
COMMODITY SYSTEM AND HUATUSCO, VERACRUZ, MEXICO

A Thesis

Presented to

the Faculty of the Department of Sociology

Western Kentucky University

Bowling Green, Kentucky

In Partial Fulfillment

of the Requirements for the Degree

Master of Arts

by

Chad Michael Gesser

July 1997

NEOLIBERALISM AND NAFTA: A CASE STUDY OF THE COFFEE
COMMODITY SYSTEM AND HUATUSCO, VERACRUZ, MEXICO

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NEOLIBERALISM AND NAFTA: A CASE STUDY OF THE COFFEE
COMMODITY SYSTEM AND HUATUSCO, VERACRUZ, MEXICO

Chad M. Gesser July 1997 164 Pages

Directed by: Dr. Paul Wozniak, Dr. David Keeling, Dr. Joan
Krenzin, and Dr. Richard Pace

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In the Western Hemisphere global capitalism and regional trading blocks have become more pronounced with the passing of the North American Free Trade Agreement (NAFTA). I examine the impacts of the neoliberal changes prior to and after the implementation of NAFTA in the community of Huatusco, Veracruz, Mexico.

World-systems analysis is the theoretical outline. The global commodity chains approach is used to examine the coffee commodity system that links the United States and Mexico. This thesis includes qualitative and quantitative data that were developed from fieldwork research in Mexico and in the community.

The qualitative data suggest that the impacts of neoliberalism and NAFTA have been far reaching in Huatusco, Veracruz. The coffee commodity system has been particularly heavily impacted. These effects, in turn, have directly or indirectly affected the local population, which are illustrated with the quantitative data. During the neoliberal restructuring local citizens experienced problems in obtaining basic necessities such as food and clothing. Local perspectives regarding NAFTA are negative.

CHAPTER I

INTRODUCTION

The world-economic system has experienced remarkable changes in recent decades based on the shift toward free-market capitalism. These changes are largely a result of two integrated factors. The first is the move of nation-states from nationalized to privatized economic structures. The second factor is the nation-state reliance on multinational corporations to structure the developing global economy. Together, these factors have become the driving force for modern development known as neoliberal market reform.

Leading the changes in the world-economic system are these neoliberal reforms. In specific, trade agreements formalized over the past half-century have helped to create a distinct global economy. These agreements include the Latin American Free Trade Agreement (LAFTA), the European Union (EU), the Asia-Pacific Economic Cooperation (APEC), the Association of South-East Asian Nations (ASEAN), and the North American Free Trade Agreement (NAFTA). For the most part these trade agreements have encouraged the role of multinational corporations in national, state, and local

development schemes. Now, the success or failure of each entity in the world-economic system could depend upon the success or failure of specific multinational corporations.

Of particular importance to this thesis is NAFTA. Throughout their histories Canada and the United States have maintained highly integrated political and economical relations. The inclusion of Mexico in NAFTA requires major restructuring of Mexico's economy. This restructuring, along with neoliberalism and its impacts on the people of Mexico, is a critical issue. Thus, within the context of NAFTA and regional integration, Mexico stands out as an excellent case study because of the gulf in development between it and the U.S. and Canada. Because Mexico possesses many characteristics different from those of the U.S. and Canada, it is important to document the positive, negative, and neutral impacts that will shape development as a result of NAFTA.

This thesis is a case study that assesses specific changes in Mexico's political, economic, and social situation that are driven by neoliberal reforms and Mexico's partnership in the North American Free Trade Agreement (NAFTA) (a general outline of this thesis is presented in Appendix A). The effects of NAFTA on Mexico are expected to be varied. For example, the maquiladora sector (the sector of intensive industrial activity), Mexico City, and other large, urban areas are expected to experience a growth as a

result of increased investment strategies. The rural countryside, however, expects not to see the short-term benefits of free trade. Conducting a case study is essential because it discerns the impacts of neoliberalism and NAFTA at the local level (Stanford 1994).

Examining the impact of neoliberalism and NAFTA by analyzing only national, aggregate data would, at the very least, be misleading. Aggregate data simply will not explain the impact of NAFTA on the local-level. Analyzing national data accompanied with regional and local level data will allow researchers, scholars, and policy makers to consider the broader impact of NAFTA on development in Mexico.

In this study I examine the effects of the neoliberal reforms and NAFTA on the community of Huatusco, Veracruz. Huatusco is located in the central zone of Veracruz. This region of the state relies on the exportation of coffee to the United States and theoretically should be heavily influenced by neoliberalism and NAFTA. To understand the impact I use the global-commodity-chains approach to delineate the coffee-commodity system originating in Huatusco and the links from the local to the state, national, and international levels within the context of the world-system. Within this context of change I look at a number of effects. I first examine the changes in regional and local power in the coffee commodity system. I also

examine local unemployment, the impacts upon the wage structure, general loss of capital, ability to purchase food and clothes, health problems, migration, and opinions regarding NAFTA.

The thesis proceeds as follows. Chapter II provides a theoretical background for the study. I use world-systems, supplemented by the global commodity chains approach, as the framework for the study. Chapter III describes the community of Huatusco. I first present the physical characteristics of the region and the community and then a brief historical review. The chapter concludes with an examination of the community's social structure. Chapter IV describes the coffee-commodity system originating in Huatusco. I first present some historical antecedents; then I discuss the workings of the coffee-commodity system. Chapter V provides data (both quantitative and qualitative) from fieldwork research about changes in the coffee commodity system and changes in Huatusco stemming from neoliberalism and NAFTA. I also present a summary of key attitudes toward NAFTA among the local population. Finally, Chapter VI contains a summary of the study's main findings and an assessment of neoliberalism and NAFTA in Huatusco, Veracruz.

CHAPTER II

THEORETICAL PERSPECTIVE

In this chapter I discuss the theoretical perspective for this thesis. I first give a review of the historical formation of development theory. I also give a brief description of selected theoretical perspectives leading to the formation of world-systems analysis. I then discuss the concepts, propositions, and units of analysis within the world-systems perspective. I also use the global-commodity-chains approach to bridge the gaps found within world-systems analysis. After explaining the global-commodity-chains approach I proceed to trace the onset of neoliberalism and NAFTA.

Theories of Development

Since the beginnings of sovereignty and independence in Latin America the United States has exerted some degree of political and economic influence on this region of the world. These influences have greatly increased since World War II. At this point the rise of the Soviet Union and the onset of the Cold War shaped competitive efforts at political and economic influence in Latin America. In order to contain the growth of communism in Latin America the

United States articulated its development ideology known today as modernization (Berger 1986; Rostow 1978).

A classic example of the modernization approach is W.W. Rostow's stages of modernization. Rostow insisted that every society will pass through four stages of development. These stages are the traditional stage, the take off stage, the stage of technological maturity, and the stage of high, mass consumption (Rostow 1960).

The traditional stage is characterized as having a prehistorical or precapitalist level of development (subsistence agriculture). Upon the invention, discovery, or introduction of simple forms of technology each society passes through to the take off stage (mass production and the onset of trade). The development accelerates as the society passes through to the stage of technological maturity (onset and growth of industrialization). All societies will ultimately develop and arrive at the industrialized, high mass consumption stage of development (high living standards and economic diversification) (Rostow 1960).

Critics considered Rostow's view on development to be ethnocentric. He assumed that all development follows the path as fashioned by the United States. Although this general model has guided United States foreign policy since the 1950s, the validity of Rostow's modernization approach today is not widely accepted (Chilcote 1984).

Instead of analyzing development from the United States perspective, much research has examined modern development from the perspective of the developing society. Raul Prebisch became the pioneer in modern studies of Third World development when he helped found the United Nations Economic Commission for Latin America (ECLA). Prebisch focused his research on development in Latin America. He viewed the world in two parts, "a center of industrialized countries and a periphery of underdeveloped countries" (Chilcote 1984, p. 23). His later works emphasized the role that the peripheral state must play in promoting national development (Prebisch 1978, 1980).

Osvaldo Sunkel, a Chilean economist, was also associated with the ECLA. Sunkel examined the structure of foreign trade. He explained that the structural relations of foreign trade promoted a form of dominance from the core areas on the peripheral areas. He also emphasized the influence of multinational corporations on a society's autonomous development. Sunkel concluded that these processes result in dependency and marginalization of peripheral areas (Sunkel 1970, 1972).

Economist Celso Furtado also joined the ECLA in 1949. He noted that the underdevelopment that exists is a result of the historical influence of capitalist enterprises. These capitalist enterprises have practices and technologies that are beyond the limits of traditional, economic

structures in Third World countries. Therefore, the traditional, economic structures become dependent upon the capitalist enterprises in all facets of development (Chilcote 1984; Furtado 1963, 1973).

Social scientist Pablo Gonzalez Casanova extended the research on development with a study regarding democracy in Mexico. Gonzalez Casanova analyzed the historical formation of internal colonialism. He showed that past colonial relations had formalized over time into an institutionalized political structure with Spaniards in power. This structure resulted in the exploitation of the majority Mexican populace by the Spanish elite in Mexico. This internal colonialism fostered underdevelopment within the country (Chilcote 1984; Gonzalez Casanova [1965] 1970; Horowitz, Castro, and Gerassi 1969).

At the Latin American Institute for Social and Economic Planning (a branch of the ECLA), Fernando Henrique Cardoso and Enzo Faletto (1979) focused their research on associated dependent capitalism. They described an external dependency on multinational interests coupled with the internal domination of the nation-state system by the elite. The integration of these two factors promotes access of the multinational interests to the periphery, while the elite within the periphery control the distribution of resources to the remaining majority. Cardoso and Faletto stressed that, for development to occur, the peripheral areas must

reform the state structure along with the state's relation with the outside market (Cardoso 1973; Cardoso and Faletto 1979; Chilcote 1984).

Theotonio Dos Santos organized a study group of Brazilian and Chilean social scientists at the University of Chile to study imperialism and its impact on dependent societies. He later would distinguish three forms of historical dependency. The first was colonial dependency in which trade monopolies were established over various resources in colonial South America. The second was a financial-industrial dependency occurring in the late 19th century that facilitated the domination by international interests in various areas throughout Latin America. Finally, the third form of dependency was what Dos Santos called a new dependency: "capital investment by multinational corporations in industry oriented to the internal markets of underdeveloped countries" (Chilcote 1984, p. 61). Dos Santos contended that to change this dependent structure the organization of various sectors of the population was necessary to promote effective socialist change (Dos Santos 1970).

The emergence of Andre Gunder Frank's "development of underdevelopment theory" sparked much criticism in the academic world. Gunder Frank argued that development cannot follow a simple linear path to industrialization. The dependency that poor societies have on rich societies

promotes underdevelopment in poor societies. Gunder Frank debated that this dependent relation does not further development but only creates neocolonialism (Gunder Frank 1966, 1967, 1975). Building on these previous notions of development, Immanuel Wallerstein explained that the positioning of these respective areas (core-periphery) and their interrelations resulted in the formation of a world-system of capitalism. Wallerstein's perspective became known as world-systems analysis (Wallerstein 1974, 1975, 1979, 1983, 1984).

World-Systems Analysis

I used world-systems analysis to examine the process of development occurring in Mexico. This analysis examines the interlinkage of multilevel processes that occur within the capitalist world-system. Chase-Dunn and Grimes state:

The modern world-system is understood as a set of nested and overlapping interaction networks that link all units of social analysis--individuals, households, neighborhoods, firms, towns and cities, classes and regions, national states and societies, transnational actors, international regions, and global structures. The world-system is all of the economic, political, social, and cultural relations among the people of the earth (1995, p. 389).

Processes occurring on the local level (although independent) are interlinked with processes occurring at the national, regional, and global levels (Chase-Dunn 1989; Chase-Dunn and Grimes 1995; Chase-Dunn and Hall 1993; Hopkins and Wallerstein 1982; Wallerstein 1974, 1975, 1979, 1983, 1984).

World-systems analysis follows the premise that a "single capitalistic world-economy has been developing since the sixteenth century and that its development has been the driving force of modern social change" (Hopkins and Wallerstein 1982, p. 11). This emerging capitalist world-system has been propelled by an integration of several contemporary social forces, including neoliberal economic and political ideologies, trade and investment mechanisms, and multinational corporations. These and other forces of globalization have organized the world-system into a common unit of capitalist production.

The world-system maintains three distinctions that characterize the level of productive competition in the capitalistic world-economy: core, semiperiphery, and periphery (or most-developed, less-developed, and least-developed) (Chase-Dunn 1989; Gereffi and Korzeniewicz 1994; Hopkins and Wallerstein 1982). These areas are not necessarily bounded by territorial distinctions (Taylor 1985).

"The core areas are those areas in which production is relatively capital intensive and wages are relatively high" (Chase-Dunn 1989, p. 203). In relation to their economic activities these areas receive disproportionately high returns as opposed to returns received by semiperipheral or peripheral areas (Chase-Dunn 1989). Those areas that maintain this type of economic activity are the nation-

states that have the most industrialized, developed areas. Among the core nation-states are the United States, Canada, Western Europe, and Japan (Dicken 1992; Hopkins and Wallerstein 1982).

The semiperipheral areas are those areas that are not as capital intensive and whose wages are lower than core areas. Semiperipheral areas receive lower returns than core areas. Those areas that maintain this type of economic activity are the "developing" nation-states whose economies exhibit some industrial and export-oriented agricultural activities. Among the semiperipheral nation-states are countries such as North and South Korea, Brazil, Chile, Argentina, and Mexico (Dicken 1992; Hopkins and Wallerstein 1982).

In the peripheral areas production is the least capital intensive and the wages are the lowest. They have the lowest level of industrial development. They engage in subsistence and export-oriented agricultural activities coupled with a small number of industrial activities. These nation-states play a subordinate role in the world-system hierarchy and are the poorest. Among the peripheral nation-states are countries such as India, Zaire, Rwanda, Zimbabwe, Honduras, and Nicaragua.

In terms of the relation of the core-periphery continuum of development

strong states, in relation to others, develop in core areas; weak states, in relation to others,

develop or rather are developed in peripheral areas...Strong states develop core processes...and the weak states develop peripheral processes...without peripheries there would be no cores and without both there would be no capitalistic development. (Hopkins and Wallerstein 1982, p. 13)

Development within the world-system is cyclical in nature, based on the relations between core, semiperipheral, and peripheral areas. There are periods of economic growth and subsequent periods of economic stagnation. The periods of economic growth are based on the introduction of new sets of products that sell favorably in the market. The circulation of capital increases, causing the market to expand. Employment swells, resulting in increased consumer spending. Eventually the market becomes permeated with the products that are selling, forcing a drop in sales and resulting in higher rates of unemployment and a lessening in consumer spending. The circulation of capital slows, resulting in economic stagnation. During periods of economic stagnation corporate firms develop the technologies to cut the costs of production, and they develop new products. Meanwhile, as the market slumps, stagnation sets in. Eventually, production becomes more efficient and new products rejuvenate the market resulting in renewed growth. These trends in growth are called Juglar, Kuznets, or Kondratieff cycles (the difference between these cycles is based on the length of time of the stagnation phase) (Chase-Dunn and Grimes 1995). Some scholars suggest that the United States is entering or is in the midst of a stagnation

stage (Chase-Dunn and Grimes 1995; Chase-Dunn and Hall 1993; Featherstone 1995; Friedman 1994; Hopkins and Wallerstein 1982).

The world-system also has created an international division of labor. Technologically advanced, high-wage employment (tertiary sector) is specialized in the core nation-states. Low-wage, low skilled, export-oriented, agricultural employment is found in the periphery nation-states. Lower-wage industrial employment is also increasingly being transferred from the core nation-states to the semiperipheral nation-states. Each respective area benefits or suffers based on its level of technology used and on the value placed on its commodities within the world-system (Chase-Dunn and Hall 1993; Dicken 1992; Gereffi and Korzeniewicz 1994; Hopkins and Wallerstein 1982; Reich 1991).

Global Commodity Chains Approach

Two problems with the aforementioned framework for analyzing development are 1) understanding the articulation between levels of the world-system and 2) examining the impacts on the local level. One method used to address these issues is the global commodity chains approach (GCC) (e.g., Dicken 1992; Gereffi and Korzeniewicz 1994; Hopkins and Wallerstein 1986; Korzeniewicz and Martin 1994; Santoyo Cortes, Diaz Cardenas, and Rodriguez Padron 1994; Stanford 1994). The GCC approach traces a single commodity across

the boundaries of the nation-state from production to consumption. These networks are called commodity systems. A commodity system consists of all the aspects that go into the process of making a commodity for consumer use. These processes are (but not limited to) governmental regulations, financing, marketing, distribution, transportation, packing, production, and labor supply (see Appendix B) (Goldberg 1974). The utility of the GCC approach is illustrated by Korzeniewicz and Martin:

The concept of "commodity chains" was introduced to address a fundamental problem in world-system studies: How do we depict and investigate the relationships that sustain and reproduce core-peripheral relations over time and space? (1994, p. 68)

They go on to say that this strategy enables us to depict the "zonal structures embedded in the global distribution of wealth" (Korzeniewicz and Martin 1994, p. 68). At the same time we can also depict a commodity chain and illustrate "the relational processes" which delineate typical core-semiperipheral-peripheral relations.

The formation of global commodity chains patterns the division of labor within the world-system. The various functions within a commodity system may be delegated according to the core-semiperiphery-periphery hierarchy. Financing, marketing, and distribution are most often located in the core areas. Transportation and packing are most often located in semiperipheral areas. Production and labor supply are most often located in peripheral areas.

There are instances, however, when core-like activities are located in semiperipheral nation-states (Gereffi and Korzeniewicz 1994; Goldberg 1974; Hopkins and Wallerstein 1986).

The structure of a commodity chain usually remains unchanged. According to Gereffi (1994) the change comes in the distribution of power within the commodity chain. By depicting the core, semiperipheral, and peripheral power agents within the commodity chain, a single commodity chain can be placed on a continuum. At one end is the producer-driven commodity chain, and at the other end is the buyer-driven commodity chain (see Appendix C).

The producer-driven commodity chain is "decentralized." This type of chain has power distributed most equally throughout the structure. The power of the periphery is greatest in commodity chains that show characteristics of diversified power. The periphery end controls the introduction of a commodity into the commodity chain. Power in the buyer-driven commodity chain is concentrated in the core, usually in the hands of multinational corporations (MNCs).

Neoliberalism and NAFTA

In the last twenty years global commodity chains have been greatly affected by neoliberal ideology and regional trading blocks. Neoliberal ideology is defined as the liberation of the market from governmental control and

privatization of the national economy. Neoliberalism involves changing the context of some governmental and economic policies to favor the integration of the private sector into the general fabric of the nation-state society. The private sector is given the responsibility for economic stability and national development.

The neoliberal reforms that have and are taking place in Mexico (as in many countries throughout the world) are closely related to the ideology of free trade and regional trading blocks. The neoliberal reforms that provide cost-free investment, free trade, and lucrative business opportunities for domestic and foreign firms located in the developing society bind the developing, domestic economy to the international and global marketplaces. A few characteristics that lead to the formation of regional trading blocks are 1) interactive economic relations; 2) similar political structures (democracies); 3) integration through international commodity chains; and 4) the onset of free trade.

Mexico enhanced its possibility of free trade in the Western Hemisphere when it signed the General Agreement on Tariffs and Trade (GATT) in 1985. GATT is a multilateral commercial agreement with the objectives of liberating national economies of tariffs, obstacles, and barriers. The United States had been promoting the neoliberal ideology with other Latin American and Caribbean nations, along with

Mexico, since the early 1980s. In 1987 Mexico and the United States informally "entered into their first 'framework agreement' to facilitate trade and investment negotiations" (Barry 1995, p. 66). GATT, other bilateral framework agreements with Latin American and Caribbean nations, and the Canada-U.S. Free Trade Agreement of 1988 laid the foundation for the NAFTA talks (Barry 1995).

The North American Free Trade Agreement (NAFTA) was signed late in 1993 as an effort to promote GATT further. NAFTA went into effect on January 1, 1994. Some principal goals that NAFTA hopes to achieve are "1) to promote regional competitiveness; 2) to increase the size of the market; 3) to bring investment to the region; and 4) to give lower prices to the consumers" (Loyola and Schettino 1994, pp. 73-74). The objectives of NAFTA are to

- a) eliminate barriers to trade in, and facilitate the cross-border movement of, goods and services between the territories of the Parties; b) promote conditions of fair competition in the free trade area; c) increase substantially investment opportunities in the territories of the Parties; d) provide adequate and effective protection and enforcement of intellectual property rights in each Party's territory; e) create effective procedures for the implementation and application of this Agreement, for its joint administration and for the resolution of disputes; and f) establish a framework for further trilateral, regional and multilateral cooperation to expand and enhance the benefits of this Agreement (The NAFTA 1993, p. 1-1).

NAFTA covers a variety of commodities and services such as automobile parts, commercial businesses, petroleum chemicals, textiles, industrial capital and products,

financial services, and agricultural products. In regard to agriculture the design of NAFTA is to "improve the access to the markets through reduction or elimination of import barriers to trade between...the participating parties...." NAFTA allows commodities to flow from one country to the other without financial or tariff restrictions. Tariffs and barriers that still remain will be lifted based on a five-, ten-, or fifteen-year, phase-out schedule (NAFTA 1993, Section 7-3).

Although NAFTA went into effect in 1994, it is obvious that free trade and integration had been occurring for a long time. The United States and Canada, in particular, have been economically integrated since 1854 with the signing of the United States-Canada Agreement of Reciprocity. The United States and Mexico have also been formally and informally integrated for quite some time. From the Monroe Doctrine of the early 1800s to modern day cultural exchanges (e.g., languages, music, sports, foods) and to the issues of cross-national migratory employment the U.S. and Mexico have become virtually interdependent. These previous relations laid the groundwork for this formalized economic integration to occur (Chase-Dunn and Grimes 1995).

Before Mexico could formally enter into a North America Free Trade Agreement with the United States and Canada, it had to change its political and economic structure. Beginning during the presidential administration of Miguel

de la Madrid (1982-1988) and continuing through the presidential administration of Carlos Salinas de Gortari (1989-1995), Mexico had to make structural changes from a state-led economy to a private-enterprise-led economy (Loyola and Schettino 1994). The changes required for integration included:

- 1) reducing the intervention of the State in the economy; 2) diminishing the restrictions on foreign investment and the commercial exterior; 3) creating new regulations for commercial operations; and 4) consolidating with the GATT (Loyola and Schettino 1994, p. 68).

The first structural change enacted was devaluation of the peso late in the 1980s. This devaluation set Mexico's currency at a rate pegged to the U.S. dollar. Devaluing the peso allowed foreign investment to profit from the economic fluctuation. United States and Canadian corporations invested in Mexico, as many had been doing, for cheaper production costs. The addition of export tariff relief for Mexico allowed the exportation of materials free-of-charge back to the United States and Canada (the largest consumer market in the world).

Another structural change was privatization of the economy and elimination of governmental market controls. Domestic and international business interests were given the responsibility for national development. This neoliberal reform marked a distinct change in the political/economic system in Mexico by ending direct governmental support for the national economy. It also meant a reversal of the

objectives of *Articulo 27* (Loyola and Schettino 1994).

Articulo 27

The Mexican Constitution, signed in 1917 but not fully implemented until 1923, was the result of the Mexican Revolution in the early 1900s. *Articulo 27* was a provision in the Mexican Constitution to redistribute land. It took land away from the hacienda, or the large-estate system, and redistributed the land among *campesinos* (poor, indigenous, peasant farmers). The belief then put forth by *Articulo 27* was "*la tierra es de quien la trabaja*," or "the land is for those who work it" (Calva 1993, p. 27).

Since the neoliberal restructuring of the 1980s and 1990s *Articulo 27* and land ownership resembles that of the late 1800s with the idea that "*la tierra es de quien tiene dinero para comprarla o la solvencia economica para conservar su propiedad*" or "the land is for those who have the money to buy it or the economic plan to utilize its property" (Calva 1993, p. 27). In short, the government of Mexico once again is allowing concentration of land by those who have the most money in what has come to be known as privatization (Calva 1993).

One consequence that emerged from the *Articulo 27* reforms is privatization of the communal land system. To feed their families many Mexicans use traditional peasant agriculture as a means to offset the burdens of a stagnant economy, unemployment, and poverty. A neoliberal economy

and free trade are desired to bring foreign interests to Mexico. Critics believe the end result will be the seizure of land and power away from many Mexicans, with the heaviest impacts in the rural sector (Barry 1995).

The end of Artículo 27 (January 6, 1992) signaled the removal of the last impediment to Mexico's participation in internationalization and globalization practices (Ledesma Mares 1992). The privatization that followed proved to be one of the catalysts to changes in the structure of international coffee relations. Neoliberal policy reforms also brought an end to domestic support programs and international tariff and subsidy agreements (Calva 1993; Lopez Gamez and Mata Garcia 1992; Lopez Rodriguez 1996; Santoyo Cortes et al. 1994).

Organizacion Internacional del Cafe

One of the changes stemming from neoliberal reform was Mexico's relation with the *Organizacion Internacional del Cafe* (International Organization of Coffee). This organization was formed under the auspices of the United Nations in 1962 to administer the *Convenio Internacional del Cafe* (CIC) or International Treaty of Coffee. The CIC became an organization of exporting and importing coffee countries designed to stabilize the fluctuating coffee market. It established guaranteed price levels for the producing countries, comparable coffee prices among consuming countries, and quotas for importing countries

(Santoyo Cortes et al. 1994).

In July 1989 the organization decided to terminate the treaty, suspending its clauses and rules governing the coffee market. The break in the treaty resulted in Mexico's and the United States' departure from the formal international relations that previously governed the coffee market in favor of tariffs and price subsidies. The international prices of coffee lost 40 percent of their value between June and August of 1989. This time period came to be known as the coffee crisis of 1989-90. However, the prices in the coffee market did not level in Mexico until April 1993. That price in 1993 was 25 percent of the value of coffee between 1970 and 1986 (Santoyo Cortes et al. 1994).

One result of the neoliberal restructuring and the coffee crisis was the transfer of the limited power that Mexico had as a producer country to the United States as a consumer country. Large coffee corporations such as Rothfos AG, ED & F. Man, Volkart, Cargill, J. Aron, Rayner, Bozzo, and Sueden have gained more control of the coffee market. These companies now have direct power in controlling the coffee stocks and futures markets, and they have unlimited access to the coffee commodity system (Santoyo Cortes et al. 1994, p. 13).

Instituto Mexicano del Cafe

As Mexico severed its international organizational

ties, it also ended its domestic support programs for coffee. The principal organization for domestic coffee support was the *Instituto Mexicano del Cafe* or Mexican Institute of Coffee. INMECAFE was one of two sources of financing for the medium- and small-level coffee producers of Mexico. The other was the *Banco Comercial* or Commercial Bank of Development. The coffee institute helped in the commercialization process of coffee, provided financial support to those coffee actors in need (coffee actors with little capital), helped with research and information dissemination, and provided fertilizers and other materials for producing a better tree. Most important, INMECAFE guaranteed a fixed, national price in the event of a bad crop or some other problem within the coffee commodity system (Diaz Cardenas 1992, 1993a; Diaz Cardenas, Licona Vargas, Escamilla Prado, Perez Perez, Valdivia de Ortega, and Santoyo Cortes 1993; Ranzahuer Rodriguez Rogelio Ruiz Melchor 1994; Santoyo Cortes et al. 1994).

The end of INMECAFE (1989-90) resulted in the development of alternative forms of support for the coffee commodity system. Initially, government agricultural agencies picked up the slack (e.g., BANRURAL [Rural Bank of Mexico], INI-SOLIDARIDAD and FIRA), and some agricultural unions also contributed (e.g., *Unidades Economicas de Produccion y Comercializacion* [UEPC] or Economic Unities of Production and Commercialization). However, during this

time the onset of an economic crisis created by neoliberal reform had begun. Many of these agencies of support were forced to withdraw their funding programs. The Banco Comercial then began to provide financial assistance only to those coffee operations--the larger- and medium-level operations--that had the capacity to maintain their capital and could pay back their loans. Still, many of these operations experienced severe cuts and debts, and the small-level operations sold their properties or closed down (Santoyo Cortes et al. 1994).

The coffee commodity system was changing. In the past, financial assistance in the coffee system typically came from the Banco Comercial, INMECAFE, and other local banks and agricultural agencies. With the onset of the economic crisis many cuts were made in the national budget for bank financing, loans, and support programs. In addition, with the introduction of the neoliberal policies and the elimination of INMECAFE, NAFTA was signed, and the door was opened for foreign investment. The government had established its will to depend on foreign investment and capital in maintaining the financial stability of the nation, states, and even local economies (Santoyo Cortes et al. 1994).

Conclusion

World-systems analysis allows the holistic examination of global capitalistic development. By examining change in

terms of international policy changes and the move to a regional system in the Western hemisphere, we can gauge the prospects of development, a lack of development, or underdevelopment. This move to regional integration has impacted the political/economic structure of Mexico. The move to regional integration, in turn, has impacted various systems of production throughout the nation. Diverse views exist as to the effects that NAFTA will bring (Babbitt, Cardenas, Alvarez, Vargas Llosa, and Reding 1991; Barry 1995; Calva 1993, 1995; Diaz Cardenas 1992, 1993b; Friedman 1992; Grinspun and Cameron 1993; Harbrecht, Symonds, Malkin, and Smith 1994; Koechlin and Larudee 1992; Loyola and Schettino 1994; Nairn 1994; Russell 1995; Santoyo Cortes et al. 1994; Stanford 1994; Weintraub, Silva-Herzog, and Rothstein 1991; Wilcox Young 1995).

As a result of the neoliberal policy changes in Mexico there has been a change in the coffee commodity system. Prior to the neoliberal reforms, the coffee commodity system exhibited a structure similar to that of a producer-driven commodity chain. As the reforms were implemented, a shift in power away from the periphery and into the hands of the core occurred. Is the coffee commodity system changing to a point at which the MNCs are now occupying the central role within the chain? What are the ramifications of such a change for the community of Huatusco? Before I answer these questions, which I do in Chapters V and VI, a description of

the community and of the coffee commodity system is necessary.

CHAPTER III

THE COMMUNITY

In this chapter I discuss the setting of the study area. I first give a description of the physical geography of the area. Next I discuss the development of transportation over time and how this has contributed to local and regional growth. I continue by discussing population growth since 1970, followed by an overview of the urban geography of Huatusco. In the remainder of the chapter I discuss the social structure of the community. I analyze the community in terms of the family, religion, education, political structure, and the economy. In some instances I provide data to understand better Huatusco's relation to the state and nation.

Location

The state of Veracruz is located on the eastern coast of Mexico between 24 degrees and 16 degrees latitude and between 100 degrees and 92 degrees longitude (see Appendix D). The central geographical zone of Veracruz, where Huatusco is located, consists of "gullies and stretched lateral sides with gullies" (Diaz Cardenas 1993b, p. 12). The altitude varies from 470 to 1,520 meters above sea level

(Diaz Cardenas 1993a).

In the higher elevations of the area the most important agricultural products are livestock, corn, sugar cane and over the past 30 years, coffee. Coffee is the primary export crop of the state. As the altitude decreases, livestock productions such as cattle and pigs are more common. In the lower elevations of the area the agricultural crops tend to be corn, beans, and other vegetables and fruits (Diaz Cardenas 1993b).

The municipality of Huatusco is located at 20 degrees and 18 degrees latitude and 98 degrees and 96 degrees longitude (see Appendix D and Figure 1). The municipality of Huatusco covers 1,302 square kilometers. Huatusco's population is approximately 50,000. It is the commercial center in an eight-municipality area. The state of Puebla and the municipalities of Tlaltetela, Totutla, and Sochiapa are the northern boundaries. Comapa is the municipal boundary to the east. Zentla, Tepatlaxco, and Ixhuatlan del Cafe are the municipal boundaries to the south. Coscomatepec is the municipal boundary to the west (see Appendix E) (Diaz Cardenas 1993b; Ranzahuer Rodriguez Rogelio Ruiz Melchor 1994).

Transportation

Huatusco's early growth and development centered largely around its ability to reach the exterior markets of Jalapa to the north and Cordoba and Orizaba to the south.

Figure 1. Urban and Rural Huatusco



Source: Photo by Author, 1996.

The formation of the primary route began in the late 1800s in the form of a train line. The design was to build the line from Jalapa, to pass it through Huatusco, and to continue through to Cordoba and Orizaba. The line began in Jalapa but it only reached Huatusco's neighboring municipality, Teocelo. From the south of Huatusco the train line stretched from the urban center of Cordoba to the neighboring municipality of Coscomatepec. Due to the geographical limitations of large ravines, gullies, and gorges, the rail line was never completed, leaving a gap

centered around the region of Huatusco. Nevertheless, campesinos and other laborers from the Huatusco region made their way to these train stations to send their products to the northern and/or southern urban commercial centers. Over time, the value of a number of commodities such as bananas, oranges, and coffee became important sources of revenue for the region. After World War II the train route became increasingly important because it carried large amounts of agricultural products from the central zone to the major regional market of Jalapa (Guillaumin Fentanes 1980; Lopez Paez 1993).

Around 1950 the construction of a federal, paved road linked Huatusco to the immediate exterior. This road replaced the train line from the north and south and made the final connection of the Jalapa-Huatusco-Cordoba-Orizaba route (Guillaumin Fentanes 1980). A connection to Jalapa in the north also gave the central zone access to the major market in the port city of Veracruz. After the completion of the regional connection from Cordoba to Orizaba, the central zone had direct access to Mexico City and southeastern sections of the country via the national highway route.

Population

Huatusco was a sparsely populated area prior to receiving "city" status in 1890. With the introduction of accessible routes the region began to prosper and to attract

people to the area through the production and exportation of agricultural products. With these catalysts the population increased (Lopez Paez 1993).

While Huatusco has grown over time, the past 27 years have been marked especially by a population explosion (59% increase since 1970). This growth rate is larger than the already high state and national population growth rates. Table 1 compares national, state, and local growth patterns over the past 27 years that highlights the expanding local population.

The population pyramid illustrating the local community is a typical pyramidal structure associated with periphery nations (see Table 2). As the literature suggests, these kinds of populations are high because they have high birth rates and lowering death rates because of the introduction of better health care techniques (Thompson and Lewis 1965). The population figures and the population distribution suggest that the growth of Huatusco will not level off any time soon. These facts alone point to future problems for the local community regarding accommodations and development of community infrastructure.

Urban Geography

During my research period in Huatusco the research team and I collected various data about urban Huatusco and the layout of the city. We distinguished three land-use zones.

The first land-use zone is the residential-periphery.

Table 1. Population Comparisons of Mexico, Veracruz, and Huatusco, 1970-1997 (Population in Thousands)

Mexico				
	1970	1980	1990	1997
	48,225	66,847	81,250	95,000*
Increase since 1970		28%	41%	49%*
Increase since 1980			18%	30%*
Increase since 1990				14%*
Veracruz				
	1970	1980	1990	1997
	3,815	5,388	6,228	7,300*
Increase since 1970		30%	39%	48%*
Increase since 1980			14%	26%*
Increase since 1990				15%*
Huatusco				
	1970	1980	1990	1997
	20	29	38	50*
Increase since 1970		30%	47%	59%*
Increase since 1980			25%	42%*
Increase since 1990				23%*

Source: Censo General de Poblacion Y Vivienda 1970, 1980, 1990.

* These indicate 1997 estimates.

Table 2. Population pyramid of Huatusco by Age Groups and Sex, 1990

<u>Males</u>	<u>Age Group</u>	<u>Females</u>
734	65+	962
391	60-64	408
406	55-59	518
497	50-54	598
588	45-49	691
749	40-44	765
1059	35-39	1082
1179	30-34	1219
1429	25-29	1470
1630	20-24	1802
2097	15-19	2166
2451	10-14	2445
2684	5-9	2673
2812	0-4	2797
18,706	Total	19,596

Source: Ranzahuer Rodriguez Rogelio Ruiz Melchor 1994.

This zone surrounds the outer portion of the town (see Appendices E and F). With the growth of the population this zone has become an area of suburban expansion for residential living. Within this zone there are some small-scale services, such as "mini-markets," that operate from the homes. The poorest people in Huatusco usually live on the outskirts of this peripheral zone (see Figure 2).

Figure 2. Residential-periphery



Source: Photo by Dr. Richard Pace, 1996.

The second land-use zone is the commercial-residential semiperiphery. This zone is bounded by *Calle* (street) 12 to the west, *Calle* 13 to the east, *Avenida* (avenue) 8 to the north, and *Avenida* 7 to the south (see Appendix F). Extending from the periphery to the center of the city, this zone exhibits the intermingling of residential and commercial activities. "Mini-markets" in this zone give way to the medium- and larger-sized commercial and service operations. The comfortable and well-to-do citizens of the community can be found in various sections of the

commercial-residential semiperiphery (see Figure 3).

The third land-use zone is the commercial-bureaucratic core. This zone is eighteen square blocks bounded by Avenida 4 to the north, Avenida 3 to the south, Calle 4 to the west and Calle 9 to the east (see Appendix F and Figure 4). Within this zone are concentrated the *Zocalo* (town square), City Hall and the administrative buildings (e.g., the local police dispatch, the *Casa de Cultura* [House of Culture]), the major church of San Antonio, and the major commercial operations. There are some residences in the commercial-bureaucratic core. These residences are not usually visible from the street. They are found behind or above the commercial market or the place of business (see Figure 4).

Family

Based on the urban survey that we conducted we found that the family structure in Huatusco consisted of approximately six people per residence (5.636). We also found the family structure in the city typically reflects that of a modified nuclear family. It consists predominantly of two to three adults over the age of twenty, two people between the ages of ten and twenty, and one to two persons below the age of ten. We also found that generations of families will live in the same neighborhood. Our data on the presence of modified nuclear families in the home are somewhat misleading. Although the family unit is

Figure 3. Commercial-residential Periphery



Source: Photo by Author, 1996.

considered a modified nuclear family, extended family members live as near as the next door.

From the urban survey I learned that 73 percent of the respondents said the floors of their homes were made of cement, 15 percent of tile, and 13 percent of dirt. Some 70 percent said the walls of their homes are made of cement, 13 percent have partitioned walls of aluminum or plastic, 9 percent have walls made of differing forms of rock and concrete, and 7 percent have wooden walls. Some 42 percent have ceilings made completely of concrete, 40 percent have

Figure 4. Commercial-bureaucratic Core



Source: Photo by Dr. Richard Pace, 1996.

ceilings of aluminum sheets, and the remaining 19 percent have a mixture of ceiling styles including part concrete and wood or completely wood or plastic. The housing data enabled me to illustrate the local social class situation in Huatusco. Families with the most resources have the durable housing structures (concrete or cement). Families with moderate resources have moderate housing structures (part concrete or cement and tile). Families with the fewest resources have the weakest housing structures (wood, plastic, or dirt) (see Figure 5).

Figure 5. Weak Housing Structure



Source: Photo by Dr. Richard Pace, 1996.

Within the homes 78 percent of the respondents indicated that the house had a drainage system. Some 91 percent of the respondents' homes had potable water and electric energy. Only 38 percent of the respondents' homes had a telephone.

Religion

Religion in Huatusco consists of Catholicism and indigenous belief-systems. The pre-Hispanic belief system was that of the Tlaxcalteicans. The early contact with the

Spanish in 1519 (and with Hernan Cortes in 1521) resulted in a combination of the Tlaxcaltecan belief system with the Catholic belief system. This syncretized belief system (Latin American folk Catholicism) has been the primary religion for more than four-hundred years (Lopez Paez 1993).

Education

The opportunities for education in Huatusco stretch from the primary level of education up to the *preparatoria* level or high school level. A Universidad Autonoma de Chapingo research extension institute was built just outside the city in the early 1980s. College courses, however, must be taken at the main college center found five hours from Huatusco adjacent to the suburb of Texcoco, Mexico (Texcoco is approximately thirty minutes from Mexico City). On occasion students from the main college will make field trips to Huatusco to conduct research in the central zone of Veracruz. Other private education facilities have recently opened in Huatusco providing computer skills courses for regional citizens.

I was unable to obtain sufficient data about local, formal educational levels. Instead I obtained data on literacy rates. The data show that Huatusco has lagged behind state and national rates, but has made greater progress in educating its populace (Table 3).

Through informal interviews I was able to understand the sentiment of the high school students' perceptions of

Table 3. Percentage of the Population 15 Years and Older That Can Read and Write in Mexico, Veracruz, and Huatusco, 1970-1990

Political Division	Year		
	1970	1980	1990
Mexico	74%	83%	87%
Veracruz	69%	77%	82%
Huatusco	62%	70%	77%

Sources: Censo General de Poblacion Y Vivienda 1970, 1980, 1990.

their future in Huatusco. Many told me that they are looking beyond their high school level to pursue formal training or college outside of the city. They feel that given the crises (national and local coffee crises) and overall lack of development, there are no opportunities for employment in Huatusco. Many of the young people are experiencing discontent and uncertainty about their futures in the immediate area. Many feel they will have to relocate for educational and economic opportunities (Jalapa, Cordoba, Orizaba, and Puebla City). This feeling is especially true of and applicable to high school graduates. The majority who do not have the benefit of obtaining further education are virtually stuck in the region competing for available resources. The lack of opportunity also promotes out-migration, a phenomenon experienced by rural areas throughout Latin America since the 1950s.

Health Care

Citizens of Huatusco visit one of three local hospitals

to obtain their health care needs. These are the *Cruz Roja Mexicana* (Mexican Red Cross), the *Sanatorio Huatusco* (Emergency Health Clinic), and the *Hospital Civil de Dr. Dario Mendez Lima* or *Hospital Lima* (Dr. Dario Mendez Lima Civil Hospital). In addition, there are a number of local clinics and service agencies for specialized treatment. For serious health problems (e.g., heart problems) citizens go to nearby Cordoba, Orizaba, or Jalapa.

The functions of the Cruz Roja Mexicana are different from what we know of the American Red Cross. The Cruz Roja Mexicana not only maintains the "free" functions as in the United States but also functions as an emergency health clinic. Ambulance and free walk-in health care services are available at the Red Cross in Huatusco.

The Sanatorio Huatusco is a private emergency clinic. Patients must pay for the services they receive at this clinic. Minor and some major medical procedures can be performed at this facility.

The Hospital Lima offers treatment of minor ailments and minor surgical procedures. Citizens usually have to pay a set fee for all services. Government insurance helps pay for some of the costs of health care.

Political Structure

There are four branches to the government of Huatusco. The first is the *ayuntamiento* (city council), which is the highest authority in Huatusco, and it follows the *Ley*

Organica del Municipio Libre (Organic Law of the Free Municipal) which is part of the Mexican Constitution. Under the lawful guidance of the *ayuntamiento* is the president of the municipality. The president oversees the functioning of the community and is succeeded by the public relations and juridical advisor. The fourth and final branch consists of the employees who carry out the day-to-day administrative activities of the community. These employees include the secretary of the city council, the treasurer, and the people who work in the department of public works, urban development, and public security. The governmental officials are elected or appointed by the local citizens (Ranzahuer Rodriguez Rogelio Ruiz Melchor 1994).

Seven different political parties exist in the community. There is only one party, however, that has most of the power in Huatusco: the *Partido Revolucionario Institucional* or PRI (Institutional Revolutionary Party). This party has two political factions in Huatusco. One faction represents the local business interests of the elite. The second faction represents the local land and farming interests of the poorer residents, the *Confederacion Nacional Campesina* or CNC (the National Confederation of Farmers). Because it is controlled by the PRI, this union organization is the most powerful in Mexico (Barry 1995; Celis, Cobo, Garcia, Lopez Sierra, Moguel, Olvera, Pare, Paz Paredes, Ejea, and Hernandez 1991).

Although the directive and decision-making power rests in the hands of the municipal government, there exist agents of power within and beyond the community. Some of these agents have more power in local issues than the city government's own council members. These groups and individuals base their power in the coffee commodity system.

One example of power agents in Huatusco is the Guillaumin family. Although not originally from the area, the Guillaumin family is considered the most powerful in the community. The family opened a large *beneficio* (coffee manufacturing plant) in 1942 that was a "considerable source of work" (Ranzahuer Rodriguez Rogelio Ruiz Melchor 1994, p. 166). In 1951 the Guillaumin family, the Martinez family, and a German company named *Intercambio Mercantil de Mexico* (Mercantile Exchange of Mexico) merged into the largest *beneficio* in the region. Since that time the Guillaumin family has been the largest and most influential coffee producing family in the area. Generations removed, Mr. Rafael Guillaumin, in 1997, is considered by local residents as the "*casique*" or land barron (Ranzahuer Rodriguez Rogelio Ruiz Melchor 1994).

A couple of weeks after I arrived in the community in June 1996 I was able to determine the local sources of power. On one specific occasion the research team was introduced to the president of the municipality to discuss our work in the community. After a pleasant conversation

about the community and the importance of coffee to the area, we were invited to visit a friend and ally, Credit Union President Vidal Martinez. (It is not known if Vidal Martinez's family is the same as the previously mentioned family who had a joint enterprise with the Guillaumin family and Intercambio Mercantil de Mexico.) Of the loan offices in the community, this credit union has the most financial clout and economic loan power.

After conversing about the credit union, its capacities, its problems, and its benefits to the coffee commodity system, we were invited by Mr. Martinez to visit his friend and ally, Mr. Rafael Guillaumin. This encounter was our first with Mr. Guillaumin. Mr. Guillaumin is the head of the PRI in the local area. Our sources told us that in the last election he handpicked his party's candidate, who is now the current president of the municipality. We talked with Mr. Guillaumin about his perceptions of local community problems and the coffee crisis of 1989-1990. In addition, he spoke about his vision for the future of Huatusco and his role in community development. This day of interviewing enabled the research team to delineate the major "movers and shakers" of the community: the president, the primary credit union president, and the influential coffee owner in the region. This group generally represents the elite social class interests of Huatusco.

In addition to the representatives of the upper end of

the socioeconomic structure, there exist representatives of the middle and lower end of the socioeconomic structure. (I am not suggesting an upper, middle, and lower social-class structure such as we have come to know in the United States. As compared to the U.S. class system, most people in Huatusco would be of lower-middle and lower social class.) These include spokespersons for the smaller land holders, the union organizations, smaller credit unions, and the "think tank" of the Chapingo research extension.

One of the people who has become a spokesperson for the smaller land holders is Mr. Manuel Sedas. Mr. Sedas is a local retired professor who heads one of the largest *beneficios* in the area. According to people I talked to in Huatusco, Guillaumin and Sedas are competitors but operate with mutual respect. However, they fall on different sides of the political fence (the prior municipal president was elected through the support of the CNC, in which Sedas and his family happen to have major influence). The Sedas family also is actively involved in the local community in various union organizations.

The Chapingo research extension became especially active in the coffee commodity system after the withdrawal of governmental support and the fall of INMECAFE. Chapingo's assistance has taken the form of technical aid advisor. It is currently guiding the formation of a cooperative. This group is an alternative to the major

credit union where most smaller producers cannot receive credit. It represents an effort to organize the smaller-level, land holders to work together as a business. This organization would allow smaller actors in the coffee commodity system to continue to produce and to support their families.

Economy

Like most rural communities in Mexico, Huatusco's economy is dominated by agriculture. Since 1970, however, Huatusco has experienced some growth in the secondary and tertiary sectors. Table 4 presents the structure of Huatusco's economy compared to state and national figures.

Although not noted in Table 4, various industries (in 1986) contributed to the secondary sector. Coffee *beneficios* contributed 20.9 percent; *nixtamal* (cooked corncob filled with beef, chicken, or other meat) mills contributed 16.1 percent; bread and other pastries contributed 14.5 percent; sugar cane production was 8.1 percent; and cement manufacturing contributed 6.4 percent. It is important to note that the economic diversification that exists is, except for cement, related to agriculture in the community. Agricultural production has also fostered growth in the secondary and tertiary sectors of the community (see Figure 6).

The primary or agricultural sector in Huatusco relies largely on the production of coffee, corn, beans, sugar

Table 4. Percentage of the Population Age 15 and Older Economically Active by Selected Economic Sector in Mexico, Veracruz, and Huatusco, 1970-1990

Mexico			
	1970	1980	1990
Commercial sector	9%	7%	13%
Construction	4%	6%	7%
Agriculture and related work	39%	26%	23%
Veracruz			
	1970	1980	1990
Commercial sector	8%	7%	11%
Construction	3%	5%	6%
Agriculture and related work	53%	38%	39%
Huatusco			
	1970	1980	1990
Commercial sector	8%	8%	11%
Construction	3%	6%	8%
Agriculture and related work	60%	41%	46%

Sources: Censo General de Poblacion Y Vivienda 1970, 1980, 1990

cane, bananas, and oranges. Since the coffee crisis of 1989-1990, dependence on coffee production has diminished. Some campesinos are experimenting with other agricultural crops for the export markets. Macadamia and zarzamora (blackberry) are two of the alternatives that people are

Figure 6. Sugar Cane Production



Source: Photo by Dr. Richard Pace, 1996.

using to try to fulfill the economic void left by the coffee crisis.

Despite the coffee crisis, however, coffee is still the primary export crop in the community. Huatusco has a quality of coffee that residents and researchers believe is one of the best in the world. In my informal interviews in the community, people told me that to have status in the community one must own coffee property. The most important people in the community, the municipal president, the president of the major credit union, the largest commercial

business owner, small service employers, and local residents all own coffee properties. From the president on down to the children, who sometimes drink coffee in the morning, everyone knows the importance of coffee in the area (Ranzahuer Rodriguez Rogelio Ruiz Melchor 1994).

Considering Mr. Rafael Guillaumin's experiences as an example, we can see how important coffee is in Huatusco. Mr. Guillaumin is the major coffee owner in Huatusco. His extensive coffee holdings gives him a higher status than any other person in the community. In our conversation with Mr. Guillaumin he mentioned that he thought it was important for him to give back to the community and to be a source of local and regional development. Mr. Guillaumin has a major influence not only in the agricultural sector but also in the secondary and tertiary sectors of construction and commercial business. Mr. Guillaumin owns a large construction company. This company employs a major part of the 8 percent of the economically active population in the construction sector (Ranzahuer Rodriguez Rogelio Ruiz Melchor 1994).

On the edge of town he also recently built a hotel that is franchised with the Howard Johnson's hotel chain. Apparently this hotel has not prospered. Only the rich can afford the prices (US\$30+ per night), and Huatusco is not considered a tourist area. Many people in the community feel Mr. Guillaumin had this hotel constructed as a

statement of his wealth.

Besides these ventures Mr. Guillaumin also owns many other businesses. Mr. Guillaumin owns an adolescent "hangout" near the local park and many other smaller commercial stores. He owns a great deal of real estate in the community. Without the profit that Mr. Guillaumin makes by being the predominant coffee owner, these ventures would not have been possible. On a larger scale, without the coffee owners and coffee, Huatusco would not be one of the more prosperous smaller communities in Mexico.

Conclusion

As has been shown, agriculture and coffee are important aspects for the community of Huatusco, Veracruz. In addition, coffee has served to create a measure of economic stability and development in the community. Now, Huatusco faces a critical point in its history. The introduction of the neoliberal ideology in Mexico has resulted in severe setbacks for many rural communities. In the recent past Huatusco relied (and still does) on the production of coffee to obtain access to domestic and international markets. The changes brought on by the neoliberal push to modernize Mexico has also resulted in power fluctuations and changes in the coffee commodity system.

A large part of my field research in Mexico and Huatusco attempted to define and delineate the interrelationship between the United States, Mexico, and

Huatusco in terms of local production. In doing so I used the GCCs approach. I now present a detailed description of the coffee commodity chain in Huatusco, Veracruz.

CHAPTER IV

HUATUSCO AND THE COFFEE COMMODITY SYSTEM

In this chapter I first provide a historical background to the coffee commodity system. I begin outlining the commodity system by describing the workers and their conditions. Next I analyze the role of the producers and the manufacturers. The next level begins with a discussion of the exporters and importers. The commodity system continues with the trading houses, the roasters, and the retailers, and concludes with a discussion of the consumers.

Brief History of the Coffee Commodity System

Coffee was introduced to the central zone of Veracruz from Cuba in 1790. It was first planted and harvested in the plantations of the early *haciendas* or large plantations. The exportation of coffee began soon after the beginning of the nineteenth century. Exportation was temporarily halted due to Mexico's War of Independence but it resumed in 1825 (Diaz Cardenas, Santoyo Cortes, and Escamilla Prado 1994).

In Huatusco exportation was a difficult task. Campesinos transported coffee through difficult weather and road conditions on mules to get their product to the right place at the right time. As coffee became a mainstay, more

and more people became involved in the coffee business. Over the years whole families have worked in coffee. They have passed on their coffee properties and their knowledge of production through generations of families up to the current day.

By 1850 the first coffee beneficio opened under part ownership of a German immigrant. This first beneficio enabled the citizens of Huatusco to process the coffee beans. Before that time it was exported in *cereza*, or cherry, form. This period was the beginning of the transformation stage of coffee (see the section on beneficios). As the coffee crop expanded in the Huatusco area during the 1860s, domestic and international capital began to be invested in the area (Diaz Cardenas 1993a; Lopez Paez 1993).

The coffee profits helped bring improvements in local infrastructure. In 1880 the construction of a railroad system began. In 1890 Huatusco gained city status, and in 1897 the city received electricity (Lopez Paez 1993).

Towards the turn of the century Mexico experienced a coffee export boom. The states of Colima, Chiapas, Michoacan, Puebla, and Veracruz prospered the most. The state and federal governments began taxing coffee production to gain some of the revenue. They also began expropriating foreign ownership of coffee in Mexico. One example of this intervention occurred when the government expropriated 60

percent of German owned coffee properties in Soconusco, Chiapas (Diaz Cardenas 1992).

The government also taxed producers and other coffee workers. This intervention began a transfer of power from the smaller businesses and labor into the hands of the government. Soon after that the Mexican Revolution erupted. Between 1910 and 1917 Huatusco became a battleground between federal forces and regional revolutionaries. After the war the new revolutionary government slowly began instituting agrarian reform. They first redistributed land to the campesinos. They also supported national programs to introduce research services and advanced agricultural methods (fertilizers, transportation vehicles, and various other supplies) into the rural areas. This governmental assistance marked an important point in the history of coffee. With governmental aid coffee production gained importance in international markets. The community of Huatusco continued to improve the living standards of its citizens (Kryzanek 1996; Lopez Paez 1993; Santoyo Cortes et al. 1994).

Coffee profits slumped in the early 1930s with the deepening of the global economic depression. Nonetheless, in 1933 the first airplane landed in Huatusco. At the time the airport was believed to be a major developmental component for the community. Subsequent improvements in ground transportation resulted in limited use of the

airport. Today there is no airport. The landing strip has been replaced by a neighborhood subdivision. In 1947 the construction of a paved highway linking Fortin, Coscomatepec, Huatusco, and Conejos was an additional boost for coffee production. Local paved roads were also established, allowing better intra-regional transportation. Between the 1950s and 1980s the coffee crop output quadrupled (Diaz Cardenas 1993a; Lopez Paez 1993).

In 1980 the construction of the research extension of the Universidad Autonoma de Chapingo began. This research extension has become a very valuable tool for the Huatusco area since its inception. This institution is primarily dedicated to providing research services relating to agricultural commercialization, crop alternatives, and various social issues in the area (Lopez Paez 1993).

Coffee has become the dominant export crop since the mid-1950s. During the past forty years the coffee crop has become the economic backbone of the community. Primary, secondary, and tertiary sectors of the local economy have been developed through the impetus of coffee.

Coffee Commodity System Structure

For this thesis I have referenced the outline given by Goldberg (1974) (see Appendix B) and the descriptions given by Hopkins and Wallerstein (1982) and Gereffi and Korzeniewicz (1994) to delineate the coffee commodity system's structure. The delineation of the coffee commodity

system will show the articulation between peripheral, semiperipheral, and core areas and the relation of Huatusco to the world economy. Next I trace the coffee commodity system from the lower level workers to the upper level consumers (see Appendices J and K).

Workers

The workers are charged with general tree maintenance. General tree maintenance includes the application of fertilizers, pruning, and harvesting. Pesticides and agrochemicals are used to help offset tree plagues and diseases. Machetes and garden hoes are used to prune the trees and rotate the soil before and during the growing season. The workers use their bare hands to pick the coffee beans from the trees during the harvest (Santoyo Cortes et al. 1994).

While some coffee trees are located in easily accessible areas (see Figure 7), many coffee trees are not. The trees are also located in valleys with steep slopes. Access to these trees is far from simple. The workers crawl, scoot, or walk slowly down an incline to reach the coffee. After the working day is completed they must climb out of the valley.

Most of these workers tend to be poor, indigenous peoples from the surrounding rural enclaves of Tepampa and Chalchitepec (see Figure 8). Additional peasant workers originate from the states surrounding Veracruz (e.g., Puebla) and make their way to the area during the harvest

Figure 7. Easily Accessible Coffee Trees



Source: Photo by Author, 1996.

periods. The majority of these coffee working families consist of five to six people (with working children) who have low levels of education and poor nutrition.

Those workers and families that come from outside of the Huatusco area usually live in allotted quarters for coffee workers. One type of living quarter I visited could not initially be distinguished as a living area. It actually was an open-aired carport.

The owner told us that during the coffee period he covers the opened sides of the carport for a temporary wall.

Figure 8. Coffee Workers after a Day's Work



Source: Photo by Author, 1996.

This wall most often is plastic or wood. The roofs are made of steel and tin. A number of the workers and their family members sleep there during their stay in the area. The family members' floors are made of dirt and there is no direct running water or electricity. The coffee owner, however, has these services nearby at his house.

I made a preliminary visit to Huatusco during February 1996. During this time I visited another type of living area when the workers were present during the harvest season. This large building has ten to fifteen living

quarters. It is made of concrete and is much more durable than the first. Individual quarters are divided by a six-foot wall composed of metal, reaching halfway to the ceiling. The floors are made of dirt. The quarters are back to back and next to each other. Each living quarter is approximately eight by eight feet. One family of five to six members lives in each of these quarters during the harvest period. Some of the families cook in their own dwellings, which means that the smoke of one habitation quickly becomes smoke of the whole building.

I arrived at this dwelling in the early evening just after the working day had ended. Upon my arrival I was astonished by the living conditions of these people. Everyone was wearing clothes permeated with dirt. Individual women were in the process of cleaning their family's and co-workers' clothes with buckets of water. Other women were preparing dinner with the limited foods and resources they had. Among these foods was a discarded pile of coffee pulp that lay next to the campfire. I was later told that the coffee workers ate the coffee pulp as a valuable source of protein and nutrition. The children, with their reserve of energy, were also playing among themselves. I had a camera with me at the time, yet I was so distraught with the conditions of these people that I felt taking pictures at this time would be disrespectful to them and could affect their opinion of me as a

researcher/tourist. I decided not to take pictures at this time.

During another trip through the countryside I saw some living conditions of non-migrant workers. Many of these habitations were made of basic materials, substandard in comparison to the majority of the houses in the city. The walls were made of wooden planks, a few of concrete, and one we saw of bamboo. The roofs were made of metal sheets, wood, and, again, some of concrete. However, many of these homes had direct access to water and electricity.

These workers represent the lowest level on the socioeconomic scale. The lower-lower social class is migrant, peasant farmers with no permanent homes. They travel from crop to crop (e.g., corn, beans, sugar, coffee), working for substandard wages. During my research period the coffee workers were working for approximately twenty Mexican pesos or three U.S. dollars per day. These workers appeared to have few possessions other than their clothes.

Above the lower-lower class are the upper-lower class workers who tend to be residents of the immediate area. These workers also work elsewhere in the immediate area to supplement their family income (e.g., carpentry, weeding and harvesting other regional crops, and domestic chores). The working families consolidate their resources, which enables them to maintain permanent living quarters.

Productores

The *productores*, or producers, generally own the coffee trees. There are three levels of productores in Huatusco. These are small landholders with 2-5 hectares, medium landholders with 5-9 hectares, and large landholders with 10 or more hectares. At each level the actions of the productores are notably different (Diaz Cardenas 1993a).

The small landholders use family labor with a few extra contracted workers. Their landholdings do not generate enough money to support their families. These productores may also be hired to pick coffee for other productores. They supplement their income by working in other agricultural employment around the area, or they work in low skilled, low wage jobs in Huatusco.

The medium landholders also use family labor but contract more workers (see Figure 9). These productores usually have more wealth because of their greater capacity to produce coffee. Their wealth is evident from their possessions (bigger houses, more conveniences). They may also possess trucks to carry the coffee to the beneficios. They sometimes supplement their income from small business enterprises in Huatusco.

The large landholders only contract workers for labor. In terms of their assets they have decided advantages over other landholders in the area. These advantages lead them to have more power than the other productores in the

Figure 9. Freshly Picked Beans from a Medium Landholder



Source: Photo by Author, 1996.

commodity system. These productores are more likely to have formal negotiations with buyers and beneficios to buy their coffee after the harvest. They are also likely to own small grocery stores, pharmacies, hardware stores, or other kinds of small businesses in Huatusco. Through these enterprises they generate additional wealth for their families.

After having the coffee picked there are two options for the producer. The smaller landholders simply sell the coffee as it comes from the plant directly to a buyer. With more capital and technology, the medium and larger landholders perform a basic procedure on the coffee before it is sold. This procedure is called *depulplando*, or depulping the coffee (see section on beneficios).

The small and medium productores are often members of a local union organization or cooperative. These groups help maintain formal relations with the private and unionized beneficios to bypass compradores. Productores who are members of these groups consolidate their capital and their resources. They assure that their enterprises are financially secure.

The medium and larger productores usually operate as private enterprises. Because these enterprises are larger and generate more wealth, they have more power than the smaller landholders in the commodity system. Because they have more wealth, they are more likely to sell coffee to independent or contracted compradores from private beneficios.

Compradores

The *compradores*, or buyers, purchase the coffee from the productores (see Figure 10). They arrange to have the coffee delivered from the productores to the beneficios. There are three types of compradores: independent, union, and private (Santoyo Cortes et al. 1994).

The independent compradores sell coffee to the beneficios that offer the highest price (private, semiindustrial or industrial beneficios). Sometimes they also sell coffee to beneficios outside of the community (in Cordoba, Fortin, and other communities). In recent years, this comprador has been all but eliminated from the

Figure 10. Weighing Coffee for the Sale



Source: Photo by Author, 1996.

commodity system (Santoyo Cortes et al. 1994).

The second type of compradores are the union organizations. As mentioned earlier, some productores are members of unions or cooperatives. Essentially, they bypass the comprador to transport coffee to the unionized beneficio.

Contracted compradores are from the Huatusco area. They are financed by private beneficios to purchase coffee from productores. This type of comprador is an agent from the larger, private beneficios (Santoyo Cortes et al. 1994).

Beneficios

The beneficios prepare coffee for national and international exportation. These beneficios may be unionized or private beneficios. The smaller beneficios are

those that tend to be unionized, and the larger beneficios are those that tend to be private. Among the beneficios there are four levels: 1) *familiar*, or family beneficios; 2) rural beneficios; 3) semiindustrial beneficios; and 4) industrial beneficios (Santoyo Cortes et al. 1994).

The family beneficio is characterized by little technology. These beneficios will usually process some coffee for profit and keep some for family consumption. After performing a basic processing procedure (see section on the beneficio humedo process), they will sell their coffee to the larger, unionized or privatized beneficios for further transformation of the bean. Some of these small beneficios also operate as small productores (Diaz Cardenas 1993a).

The rural beneficios are more mechanized. They have more workers, particularly during the harvest season. They process 2,000 to 9,000 pounds of coffee per day. After processing they, too, will sell some of their coffee to the larger, unionized or privatized beneficios for further transformation of the bean. Some of these beneficios also operate as small and medium productores (Diaz Cardenas 1993a).

The semiindustrial beneficios hire even more workers. They process 12,000-36,000 pounds of coffee per day. After performing an even higher degree of processing, they sell the high quality coffees for exportation (Diaz Cardenas

1993a).

The industrial *beneficios* are the largest, most technologically complex. They contract more workers than the other *beneficios*. They process 36,000 or more pounds of coffee each day. After detailed processing this coffee is exported for domestic and international purposes. There are two specific processes performed at these *beneficios*: *beneficio humedo* (heat drying the beans) and *beneficio seco* (refinement and bean classification) (Diaz Cardenas 1993a).

Beneficio Humedo. Small trucks bring in the freshly picked *cereza* (purchased by the respective *comprador*) and weigh it at the *beneficios*. Next the coffee begins the primary transformation process. The coffee is placed directly into special pulp-extraction machines called *depulpadoras* (see Figure 11).

The two larger *beneficios* in the area that I visited had approximately fifteen of these small extraction machines. These machines have two steel discs with "teeth" that grind the coffee pulp from the coffee bean (see Figure 12). After the pulp is separated from the bean, the pulp and the coffee bean flow down a long canal to huge containers that are full of water. The pulp and the lighter beans rise to the top and float. Next, they pass through a filtered canal to clean away the pulp from the beans. The heavier (which means better) coffee beans sink to the bottom of the container. They are sucked out by a vacuum. They

Figure 11. Coffee in a Depulpadora



Source: Photo by Author, 1996.

are then sent by a separate canal to another tank (see Figure 13) (Diaz Cardenas 1993a).

Here, the beans ferment for 24 hours. This fermentation process increases the protein and sugar content in the bean. After the respective beans have passed through the fermentation stage, they have completed the primary transformation process. This process has separated the lighter beans from the heavier beans. The secondary transformation process begins with drying the beans. The drying can be one or a combination of three stages:

Figure 12. Depulped Coffee



Source: Photo by Author, 1996.

escurrido (drainage), *oreado* (air-dried) and/or *secado* (heat dried) (Diaz Cardenas 1993a).

In the familiar and rural *beneficios* laying the beans out on an open concrete area to dry under the sun is the main method used to dry the beans (*escurrido* or *oreado* methods). The semiindustrial and industrial *beneficios* may use this technique for some of the beans. However, they also use large, heated cylinders to dry the beans (see Figure 14). The internal temperatures of the cylinders reach up to 100 degrees celsius (*secado* method). After the

Figure 13. Filling the Fermentation Tank

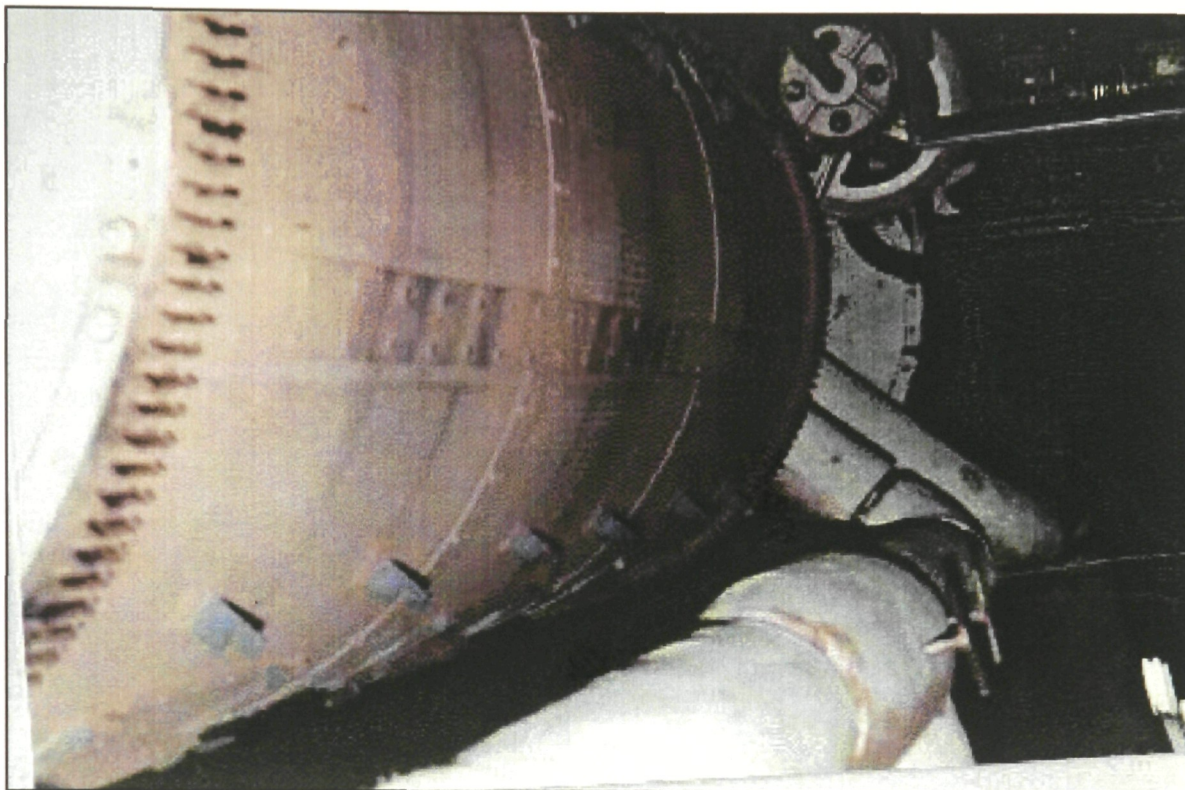


Source: Photo by Author, 1996.

beans have gone through this drying process, they will be stored in large containers for at least fifteen days (see Figure 15). This resting period stabilizes the humidity present in the beans (Diaz Cardenas 1993a).

The humedo process separates high quality beans from poor quality beans. The high quality beans are ready for exportation. Some of the smaller beneficios who maintain the humedo process may sell their coffee to an independent exporter or independent, private, or corporate importer. The larger beneficios export the beans from their beneficios

Figure 14. Heating Cylinder in the Secado Process



Source: Photo by Author, 1996.

or sell them to an independent, private, or corporate importer.

The poorer quality beans are then sent through the beneficio seco process. The smaller, unionized beneficios transport their coffee to the unionized beneficio seco or sell it to a private beneficio seco. At the larger beneficios poorer quality beans from the private humedo process stay at the beneficio for the beneficio seco process.

Beneficio seco. The beneficio seco process can be used

Figure 15. Full Stabilization Tank

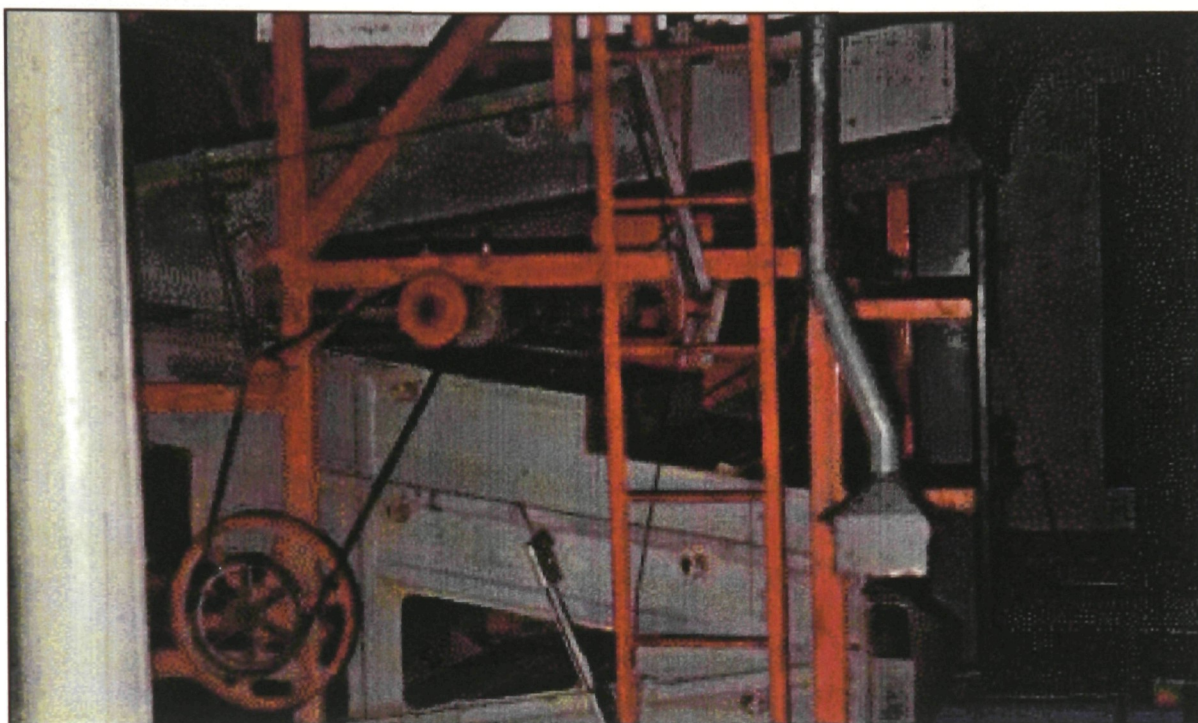


Source: Photo by Author, 1996.

to process inferior beans into beans of better quality. This technology allows the beneficio to operate year around by processing the poorer beans during non-harvest periods. For beneficios that specialize in domestic and international commercialization, the seco process is indispensable (Diaz Cardenas 1993a).

In the beneficio seco process the bean is first placed in a shaker system which separates the bean from dirt and other trash particles (see Figure 16). Next, the outer shells of the beans are eliminated by shakers and other

Figure 16. Shaker System Used to Classify Beans



Source: Photo by Author, 1996.

refinement machines. These two processes are meant to refine the bean into the forms of *planchuela* (compacted bean) and *caracol* (snail-shelled bean), with *caracol* being the second class distinction. Next the beans are taken to special machines for classification by weight, size, color, and texture.

Planchuela beans are first classified by size and form based on five distinctions: superior, first, second, third, and poorest class beans. The superior, first, and second class beans are then classified according to color (*cafe oro*, or gold coffee, is best). These beans are then

exported to the United States and Europe. The third and poorest classes of beans are not classified accordingly and are used for domestic consumption (Santoyo Cortes et al. 1994).

Caracol beans are also first classified by size and form based on two distinctions: first and second class beans. Next they are classified according to color. Then they are internationally and nationally exported (see Figure 17) (Santoyo Cortes et al. 1994).

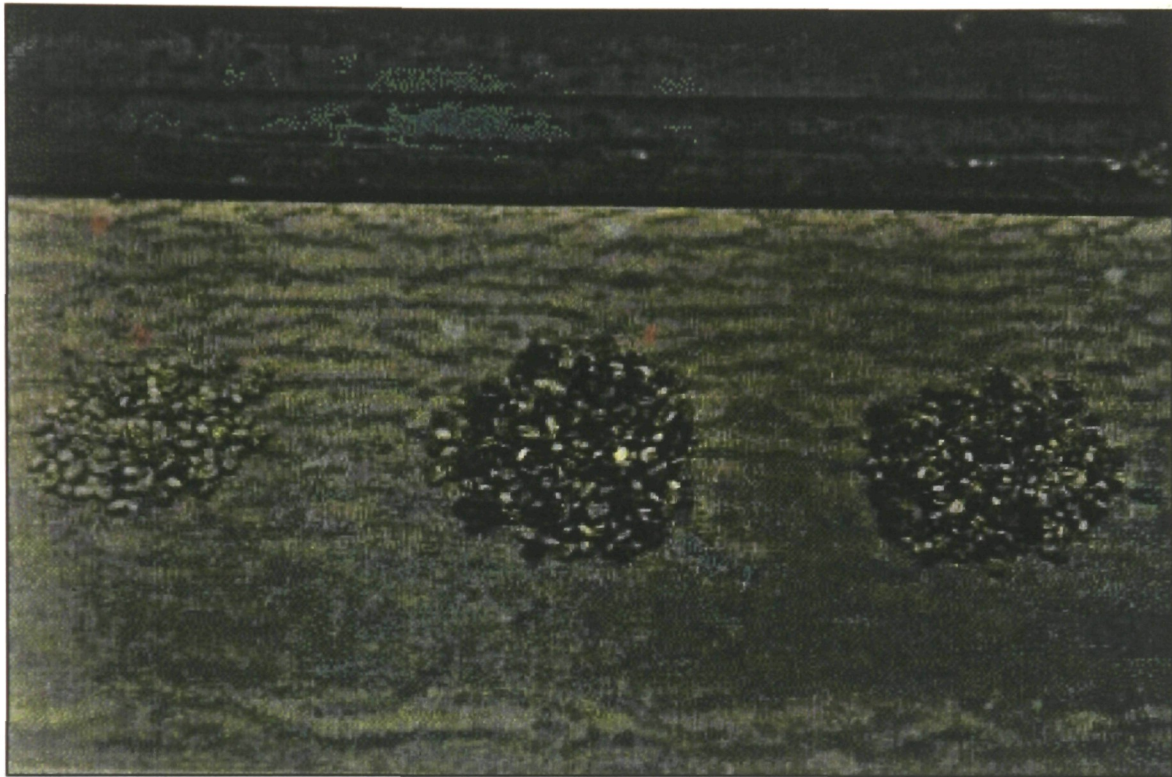
Exporters and Importers

In the middle of the coffee commodity system are the exporters and importers. They transport the beans to the United States and other countries. I first discuss the independent and private exporters.

In the past there were independent exporters operating separately from the beneficios in Huatusco. These exporters are virtually no longer existent because of the impact of the coffee crisis. They have now been replaced by larger, independent exporting operations located in towns such as Jalapa.

These independent exporters located in Jalapa operate as independent businesses. They can perform a variety of functions. First, they can contract coffee from Huatusco and export it to an independent importer in the United States. Second, they can also be contracted by multinational, corporate retailers (such as Proctor &

Figure 17. First-, Second-, and Third-Class Export Coffee Beans



Source: Photo by Author, 1996.

Gamble) to deliver the coffee to their corporate trading houses or roasting firms. Third, they can be contracted to deliver the coffee to a private trading house in the United States.

The private exporters are associated with the larger-scale beneficios. They have preset arrangements with coffee importers to transport the coffee to the United States. The exporters may have their own trucks to transport the beans. However, they usually rent the trucks for exporting the beans. They transport the beans into the United States,

usually by land to Laredo, Texas, or by sea to New Orleans, Louisiana.

There are three types of importers: independent, private, and corporate. The independent importers come to the central zone of Veracruz to import the coffee into the United States. These importers have become increasingly visible since the onset of NAFTA. Upon returning to the U.S. they sell coffee to corporate or private trading houses.

The second type is the private importer. These importers are associated with private trading houses in the United States. They are sent to the Huatusco area to obtain coffee and bring it back to the trading house.

To learn more about the corporate importers I talked with a number of corporate representatives in the United States. I was told that typically the corporate coffee companies have brokers who act as middlemen in the coffee-growing areas. Their job is to bargain with beneficiadores and productores. The coffee they buy is then exported by private exporters or imported by their corporate importers to their corporate trading houses in the United States. Santoyo Cortes et al. (1994) distinguished four coffee importers that transport coffee from Huatusco: ED and F. Man, Mercon Coffee, Omnicafe, and Tardivat.

Trading Houses

In the United States there are many trading houses that

buy coffee. They are characterized as private or corporate. Private trading houses have less vertical integration than do corporate trading houses. Corporate trading houses are associated with corporate roasters and multinational corporate retailers.

The private trading houses obtain coffee based on four methods. The first is contracting a private exporter from a beneficio in Huatusco to deliver coffee to their trading houses or brokers. The second is sending their private importers to the central zone of Veracruz to transport coffee back to their trading houses. The third is purchasing coffee from independent importers who have already transported coffee to the United States. The fourth and final method is contracting an independent exporter from Jalapa to deliver coffee to their trading houses.

I talked with representatives from one private trading house, Westfeldt Brothers, located in New Orleans, Louisiana. They told me that they independently buy coffee and then import it to the United States. They also buy coffee from independent importers. They mentioned that they are familiar with and import coffee from the Huatusco area and the central zone of Veracruz. They went on to confirm that coffee from the Huatusco area is among the best in the world.

I telephoned some multinational corporations (MNCs) trying to obtain information about the corporate trading

houses in the United States (Nescafe, Nestle, and Folger's). Because these MNCs deem their operations as secret, I was denied the "classified information." From sources outside the MNCs (Westfeldt Brothers and other trading house representatives) I can conclude that the corporate trading houses contract exporters (independent and private exporters) to have coffee delivered to their trading houses. They also have their own importers employed by their trading houses. They contract coffee and import it to their trading house operations in the United States. These corporate trading houses also buy coffee from independent trading houses.

Roasters

At this level of the commodity system the coffee beans are roasted to bring flavor to the beans. The facilities are private and corporate roasters. The private roasters roast the coffee according to the specifications of their retailer. All of the corporate roasters package the coffee for the retailer prior to distribution. As before, the private roasters operate separately from the corporate roasters.

Private roasters obtain coffee based on two methods. First, they buy coffee from private trading houses. Second, they buy coffee from independent importers. Their level of vertical integration is less pronounced than that of the corporate roasters.

The corporate roasters rely on their corporate trading houses and importers for their coffee. Some of the corporate roasters purchase multiple coffees from multiple importers and/or private trading houses. Along with many coffee researchers in the Huatusco area, it is my suspicion that different qualities of coffees are mixed in efforts to keep prices low. Instead of offering high quality coffee corporations are able to apply additives to poorer coffee (making specialty coffees), keeping costs down and maintaining a firm hold on what kinds of coffee are available to consumers. This market manipulation appears to be evident in the introduction of different coffee styles. In the past it was ground and decaffeinated. Now it is espresso, cappuchino, and other-flavored coffees.

In addition to the roasting process some roasters package the coffee for distribution to the retailer. The private roasters either package the coffee to be delivered to the retailer or they send the coffee to specialty outlets who package the coffee for sale. Due to their level of association corporate roasters package the coffee for direct delivery to their respective retailers.

Retailers

At this upper level of the commodity system, coffee is sold to the consumer. The coffee prices vary according to brand, style, and retailer. Prices are set according to supply, demand, and the reputation of the product or the

reputation of the establishment selling the coffee. The retailers that sell the coffee are specialty outlets or multinational corporations.

Coffee consumption, especially for regular and decaffeinated coffee, dropped in the United States from 75 percent in 1962 to 53 percent in 1995. This drop in consumption caused the coffee industry to adopt newer coffee styles. The specialty coffees are the latest trend in the coffee business. These coffees are more expensive than the regular and decaffeinated coffees (United States Consumption Trends and Outlook 1995). They are enhanced by flavors other than the natural coffee itself (e.g., chocolate and cinnamon).

Because specialty coffees are the current trend in the coffee market, specialty outlets have emerged as coffee retailers in the United States. In a casual visit to a specialty store the consumer is bombarded by a number of specialty coffee flavors. Cappuccino, espresso, latte, snickerdoodle, and many other flavors are available to the consumer. However, the retailers that sell the most coffee are still the supermarket grocery stores.

In a casual visit to a grocery store the consumer is also deluged by a number of coffee styles. Many specialty coffees are now offered in grocery stores. Nevertheless, the regular and decaffeinated coffees are the mainstay on the grocery store shelves.

Multinational corporations have the largest investment in the regular coffee market. The three largest multinational corporations with market shares in the coffee market are Proctor & Gamble, General Foods, and Nestle. Consumers, however, know these MNCs by their market names. Proctor & Gamble sells Folger's products. General Foods sells Maxwell House, Master Blend, Sanka, and Brim products. Nestle sells Hills Brothers, Chase & Sanborn, and Taster's Choice products (United States Consumption Trends and Outlook: 1995 Winter Coffee Drinking Study).

Consumers

The last level of the commodity system that I present is the consumer. As I previously noted, coffee consumption in the United States has declined considerably in recent times. While regular coffee is still the most frequently consumed coffee in the United States, specialty coffee has filled the void in consumption. However, the success of coffee depends largely on one factor: the demand. Consumer demand brings the coffee here, and consumer demand causes new styles to rise and fade away. The majority of the consumer demand comes from the core, developed countries of the world.

Conclusion

I first began this chapter by providing a historical description of the coffee commodity system in Huatusco. The flourishing of coffee coincided with community and regional

development in the central zone of Veracruz. I then began discussing the coffee commodity system. The lowest level of the coffee commodity system consists of the workers. These workers are either migrants or local and regional residents of the Huatusco area. They tend to be on the bottom of the socioeconomic scale.

The second level that I discussed are the productores. The three types of productores are separated by the size of their landholdings and the functions they perform. At the third level a comprador or buyer brings the coffee from the productores to the beneficios. These compradores are usually integrated into the union organizations or the private beneficios. They are intermediaries between the productores and the beneficios.

At the fourth level are the beneficios. The medium and larger scaled beneficios are most involved in the commercialization of coffee. They perform either or both of the humedo and seco processes. Their operations are designed to serve primarily the international market, and especially the United States (Santoyo Cortes et al. 1994).

In the middle of the commodity system are the exporters and importers. This level has been greatly impacted by neoliberalism and NAFTA (which is detailed in Chapter VI). The exporters from Huatusco are associated with the beneficios. The exporters of Mexican origin in Jalapa are independent exporters. Among the importers are independent,

private, and corporate importers. The private importers are linked with private trading houses. The corporate importers are linked with MNCs. As the commodity system approaches the upper end, the consolidation of power rests in the hands of a few actors. The more that the agents in the upper level are integrated into the other levels of the commodity system the more influence they have within the commodity system.

At the sixth level of the commodity chain are the trading houses. These trading houses can be either private or corporate trading houses. At this stage the coffee is stored. Just beyond the trading houses are the roasters at the seventh level. They are either private or corporate operations. At this stage a variety of processing is performed to prepare the coffee for packaging. The private roasters that do not package the coffee send it to specialty outlets for packaging and distribution.

At the next level are the retailers. Specialty stores and MNCs make the final product and receive the most profit from the coffee. The coffee market is especially influenced by the MNCs. The demand that they can generate influences their asking price for coffee.

At the upper end of the commodity system is the consumer. Consumption for regular coffees has dropped over the past thirty years. While regular coffee remains the coffee most consumed, specialty coffees have filled the

void. Consumers are most likely to purchase their coffee at grocery stores. They also purchase a variety of coffees from restaurants, hotels, specialty stores, and other outlets.

This chapter has helped to show the linkage of the periphery, semiperiphery, and the core. This linkage is evident by examining the coffee commodity system from the lower level worker to the middle level exporters and importers and to the upper level retailers and consumers. These interrelations also depict Huatusco's relation to the world economy.

The first four chapters of this thesis have examined the theoretical perspective of the study, the onset of neoliberalism and NAFTA, the community of Huatusco, Veracruz, and the coffee commodity system of Huatusco. The remainder of this thesis focuses on the impact of free trade and neoliberalism. The implications of neoliberalism are numerous. The relations of communities such as Huatusco to the world-system are based on their degree of integration into the larger international economy. Huatusco's relation to the world-system can be depicted through the coffee commodity system. To examine these issues a little further, I posed a number of research questions and conducted a survey in Huatusco. In the following chapter I discuss the methodology used for this aspect of the thesis. Qualitative and quantitative techniques will be presented.

CHAPTER V

METHODOLOGY: SURVEYS AND KEY QUESTIONS

In this chapter I discuss the methodology used for this thesis. I first discuss the preliminary considerations. I then discuss the qualitative methodology used for this thesis project. Next, I discuss the urban and rural surveys used for the quantitative methods. Finally, I present the quantitative research questions proposed for this project.

Preliminary Considerations

The methodology used for this thesis is a combination of qualitative and quantitative techniques. In light of the differences between the cultures of the United States and Mexico, I found it necessary to immerse myself in information about Mexico to better understand the social and cultural context of the material that I was studying.

At the very beginning of this thesis project I needed to learn as much about Latin America and Mexico as I could. I knew very little about Mexico and the Spanish language prior to this point. Although I prepared diligently prior to leaving for Mexico, international research takes many turns once the researcher is in the field. I had all but finished my thesis proposal prior to leaving for Mexico. The important reminder I received from my thesis advisors

was that my research plans were likely to change once I began my research, due to information, lack of information, and/or misperceptions that I had not encountered during the thesis proposal. I found this reminder to be true. I had to alter my beginning research objective somewhat in order to study NAFTA and its effects on a community in Mexico. NAFTA had not been in existence long enough (implemented on January 1, 1994) to measure its effects on the community and the people in Huatusco. People simply had not yet developed informed reactions to NAFTA, and its effects could not yet be measured in any valid way. I decided to examine the process of NAFTA because NAFTA was essentially the culmination of a long process of neoliberal changes. I also took into account the subsequent impacts since the passing of NAFTA to measure the continuum of neoliberal change in Huatusco.

I began my research during the first week "in the field." I began by going to the libraries at the Universidad Autonoma de Chapingo, my host university. At those University libraries I was able to collect an abundance of information about past and recent international and national policy changes, information and works regarding NAFTA and possible outcomes for Mexico and the coffee commodity system, census data about Huatusco, and other general information about coffee and the coffee commodity system. During this aspect of my research period I was also

able to refine my language skills for my research time in the community.

Through this process I began to understand the general patterns of neoliberalism, national policy, privatization, and economic restructuring. I discovered that in order for Mexico to enter into a multilateral trade agreement such as NAFTA, it had to make drastic changes in its political and economic structure.

For the first four months I spent my time finding all the information I could about these various topics. This aspect of my research allowed me to "weed" out information and look for patterns related to my research. With the help of the people from the *Departamento de Sociologia Rural* (Department of Rural Sociology) I was able to discuss my ideas and refine my knowledge of how Mexico perceived NAFTA and the future of Mexico in a global economy.

I was able to visit Huatusco and to meet the people at the Chapingo extension prior to my field research in June 1996. This preliminary visit enabled me to establish some initial contacts with residents and the Chapingo faculty, and it allowed the Huatusco faculty to have a better understanding of my thesis project.

Qualitative Methodology

My main objective, in terms of qualitative methods, in Huatusco was to gather information about 1) the past, present, and future structure of the coffee commodity system

and local power influences; 2) the impacts of neoliberalism and NAFTA, via the coffee crisis, on the community; 3) what opinions, beliefs, and perspectives the community citizens had about the coffee commodity system; and 4) what they believed was the future of coffee and the community in relation to neoliberalism and NAFTA.

I collected data from formal and informal interviewing. I conducted my interviews or conversations with the local historian, political officials, coffee actors, health officials, and citizens (adults and children). My interviewees ranged from city hall employees and coffee workers to local researchers from the Chapingo extension and high school students. I conducted my formal interviewing in their offices, places of employment, and houses. I conducted my informal interviews at my temporary home while entertaining visitors, when I frequented restaurants in the city, when I went grocery shopping, while eating *chicatanas* (an insect delicacy to local citizens), while walking down the streets, and when I played basketball in the park.

Quantitative Methodology

I knew before I left for Mexico that I wanted to conduct some form of quantitative analysis. At first my idea was to recode the qualitative information that I would gather in order to conduct statistical analysis. After I realized the importance and abundance of qualitative information that I had gathered, I decided to design a tool

for quantitative analysis to compliment the qualitative material. Together Dr. Pace, Dr. Keeling, the Chapingo research extension (with the special assistance of Salvador Diaz Cardenas), and I were able to design a survey to find information about problems the local citizens faced during the general economic and coffee crises. We also wanted to address citizen demographics and local perceptions about NAFTA, the future of Mexico, and the future of Huatusco.

Urban Survey

In my thesis proposal I posed a number of questions that I wanted to ask the community in our urban survey (see Appendix G). During my work on the thesis proposal I thought it best to go to Mexico to research the changes brought on by Mexico's signing of NAFTA. I was under the impression that due to the signing of NAFTA, the national, regional, state, and local levels would be experiencing increases in agricultural output, investment from sources within the United States, and overall "development." As I learned, the major impacts due to NAFTA were experienced prior to its implementation. With this in mind I did not ask some questions that I had planned, but rather I asked other relevant questions to capture the impact of NAFTA as it has occurred in Huatusco.

The research team designed the urban survey approximately two weeks before it was to be administered. We outlined questions we wanted to ask (related to the

coffee crisis and NAFTA) and then let the Chapingo faculty design the questionnaire for wording and accuracy. A copy of the actual survey is presented in Appendix H. (I have supplied the original Spanish text accompanied with the English translations.)

We were able to maintain a representative random sample by using a stratified sampling technique. We divided the interviewing areas according to the *barrios*, or neighborhoods, as the community had them listed. Of the sixteen barrios in the municipality we decided to target our sampling frame to six barrios: 1) Barrio Nuevo; 2) Centro; 3) Maquina de Vega; 4) El Cuatro; 5) Centenario; and 6) Emiliano Zapata (see map 3). We targeted these barrios because we wanted the data from this survey to be applicable to urban Huatusco. These barrios are adjacent to the center of the urban municipality.

The Chapingo faculty helped us to choose which barrios to include in our sample by dividing the barrios according to socioeconomic status. This systematic selection enabled us to obtain respondents from across the socioeconomic spectrum. The Chapingo faculty also guided us to target those areas in which residents had been living in Huatusco for a while along with those areas that were recently settled by migrants.

Due to language and cultural differences we believed that our survey would be better conducted as an interview

schedule rather than a questionnaire. The interview schedule was necessary because of the high rate of functional illiteracy of respondents. The faculty at the Chapingo extension were kind enough to assist us in our efforts by supplying five paid volunteers from the Chapingo extension to carry out the interviews over a five day period.

We asked the interviewers to start randomly within the selected community and interview people in every tenth house that they encountered. If for some reason they were unable to interview the residents of the tenth house (refusal to be interviewed, no one was home), they were then to go directly to the next house, and so on. To ensure that the interviews proceeded appropriately, Dr. Pace and I worked with the interviewers to correct any problems that they encountered with the interview schedule. Each interviewer conducted approximately 10 interviews.

The primary problem with the urban survey is the number sampled. When doing quantitative analysis in sociology, it is usually best to target at least one hundred respondents to get reliable quantitative results. We wanted to sample more people, but due to time constraints, lack of financial resources, and people power, we were able to obtain only 55 respondents. We believe that for descriptive and exploratory analysis this number is sufficient.

Rural survey

At the same time I was conducting my research, a professor at the university extension, Salvador Diaz Cardenas, was in the process of completing his master's degree based on similar research. He was investigating the impact of the coffee crisis and the changes it forced upon the regional coffee industry. He also conducted a survey, but his survey was based in the rural area outside of the immediate urban area, where most of the coffee is located (see Appendix I).

In acquiring his sample, Diaz Cardenas (1992) used a stratified sampling formula to obtain a representative sample for the region. In selecting the appropriate number for the sample Diaz Cardenas took into account nine characteristics: 1) degree of union organization in the community; 2) proportion of land used for coffee; 3) total land area used for coffee; 4) number of coffee cultivators; 5) specialization of production in coffee; 6) average land distribution with coffee per producer; 7) physical geography; 8) altitude; and 9) relationship with the research extension (Diaz Cardenas 1992).

We designed parts of our survey to correspond to his survey, to ensure adequate respondent data. For example, Mr. Diaz Cardenas asked questions in his survey based on the impact of the crisis in terms of food, clothing, and sickness. We used similar questions on our survey. Diaz

Cardenas obtained eighty-four respondents. The resulting data gave us a well-rounded view of the impact on the community.

Quantitative Research Questions. There are a number of questions that I attempt to address in this thesis. I use the phrase "research questions" rather than hypotheses because I am not empirically testing a set of hypothetical assumptions. Rather I am attempting to address some key questions for this thesis. The quantitative research questions are presented below:

- RQ1: Was there an increase of lost coffee properties as a result of neoliberalism and NAFTA?
- RQ2: Did citizens experience a loss of employment due to neoliberalism and NAFTA?
- RQ3: Did citizens experience a reduction in salary as a result of neoliberalism and NAFTA?
- RQ4: Did citizens experience a loss of property as a result of neoliberalism and NAFTA?
- RQ5: Did citizens experience a reduction in basic foodstuffs as a result of neoliberalism and NAFTA?
- RQ6: Did citizens experience a reduction in the amount of clothes they could buy as a result of neoliberalism and NAFTA?
- RQ7: Did citizens experience an increased rate of sicknesses due to neoliberalism and NAFTA?
- RQ8: Do citizens believe NAFTA will help Mexico?
- RQ9: Do citizens believe that the future of coffee is good in Huatusco?

RQ10: Do citizens believe NAFTA will help Huatusco?

Conclusion

The methodology used for this thesis is a combination of qualitative and quantitative techniques. In terms of qualitative methods I wanted to collect data about four particular issues: 1) the past, present, and future structure of the coffee commodity system and local power influences; 2) the impacts of neoliberalism and NAFTA, via the coffee crisis, on the community; 3) what opinions, beliefs, and perspectives the community citizens had about the coffee commodity system; and 4) what they believed was the future of coffee and the community in relation to neoliberalism and NAFTA. In terms of quantitative methods I wanted to collect data about three particular issues: 1) problems local citizens faced during the general economic and coffee crises; 2) citizen demographics; and 3) local perceptions about NAFTA, the future of Mexico, and the future of Huatusco.

I collected data for the qualitative portion of this thesis through formal and informal interviewing. I collected data for the quantitative portion of this thesis through an urban and rural survey. The research team designed the urban survey. I was able to conduct some secondary analysis from a rural survey administered by Diaz Cardenas. I now will present the results in Chapter VI.

CHAPTER VI

RESULTS

In this chapter I discuss the results of this thesis. I first present the results within the coffee commodity system. I next discuss the results within the community. In both sections I present the results from my qualitative and quantitative analyses.

Effects and Reactions to NAFTA within the Coffee Commodity System

Changes in the coffee commodity system began with the onset of neoliberalism. The ideology of neoliberalism and NAFTA called for domestic and international political/economic restructuring. This restructuring resulted in the abolishment of Artículo 27, the Organizacion Internacional del Cafe, and the Instituto Mexicano del Cafe. The abolishment of these programs ended governmental support for many of the middle- to lower-level coffee-commodity-system actors and caused a coffee crisis. As a result, the upper level has assumed more power as the middle level of the commodity system struggled to maintain stability. In Appendix J I have outlined the coffee commodity system before neoliberalism and NAFTA. In Appendix K I have outlined the coffee commodity system after neoliberalism and

NAFTA (Santoyo Cortes et al. 1994).

Multinational Corporations

Before neoliberalism and NAFTA, the most influential level within the coffee commodity system was the upper level. The upper level was primarily dominated by multinational corporations which include their retailers, corporate roasters, corporate trading houses, and their corporate importers. Since neoliberalism and NAFTA the upper level has now assumed even greater power. In conjunction with the new sources of financial support (minor support by government agencies and unions) foreign investment has increased in the area to assist those coffee operations that were barely functioning (many of the medium and smaller level operations had already been bought out or had closed) (Santoyo Cortes et al. 1994). For example, five enterprises have come into the Huatusco area as sources of financing and importation. These are ROTPHOS, BECAFISA, MERCON, TARDIVAT, and OMNICAFFE (Santoyo Cortes et al. 1994).

Importers and Exporters

Prior to neoliberalism and NAFTA, the middle level of the commodity system (importers and exporters) was the boundary between the upper and lower levels of the system. Due to the abolishment of the international and domestic governmental support programs, the middle level of the commodity system has changed. The upper level interests (mainly multinationals) are increasing the activity of their

importers in the central zone of Veracruz. This transition in power marks an important occurrence in the coffee commodity system.

Before neoliberalism and NAFTA, exportation was concentrated in the hands of regional and local residents. The exporters purchased coffee regionally and/or locally. They shipped the coffee (via the port city of Veracruz) or transported it to the border (via Nuevo Laredo) and sold the coffee to brokers at the respective point of purchase. These methods of exportation helped to retain capital and profit in the lower level of the commodity system and, most important, in the immediate area. Since neoliberalism and the passing of NAFTA the regional and local exporters have all but vanished from the commodity system.

As a result of the vanishing of the regional and local exporters, the independent, private, and corporate importers have assumed a heightened role within the commodity chain. This result of neoliberalism and NAFTA is twofold. First, faltering operations located in Mexico (importers and exporters) were financed by interests in the upper level to remain functioning during the coffee crisis (Santoyo Cortes et al. 1994). Since the coffee crisis the upper level interests have assumed more power via this newly formed middle level of independent and private importers. Second, some corporate and private importers are locating new importing operations in the regional area (e.g., Cordoba,

Jalapa, and Mexico City). However, they are not yet extensively concentrated in the regional area.

Nevertheless, for the coffee commodity system, the emergence of the upper level interests in the area is the antithesis of neoliberalism and NAFTA.

The middle level has not yet completely changed in terms of buyer-driven versus producer-driven characteristics. The role of the upper level is increasingly apparent in the level of the importers in the commodity system. However, the consolidation of control by the upper level in the middle level is not yet evident. As the importers increasingly come to the regional and local area, the commodity system becomes smaller. At the same time, the distribution of wealth from the commodity chain into the regional and local area also diminishes.

Beneficios

Before neoliberalism and NAFTA the lower level of the commodity system was experiencing an increase in their rate of profits (Santoyo Cortes et al. 1994). The year before the coffee crisis (1988) the lower level of the commodity system had its best year in its history. Once neoliberalism set in, the profits dropped and severe setbacks permeated the lower level. The unionized beneficios suffered the most and the private beneficios survived (Diaz Cardenas 1992, 1993b; Diaz Cardenas et al. 1993; Diaz Cardenas et al. 1994; Santoyo Cortes et al. 1994).

Neoliberalism and NAFTA have affected the beneficios in a number of ways. All of the beneficios have experienced some sort of negative impact as a result of the political/economic restructuring to implement NAFTA. Those experiencing the most impacts were the familiar, rural, and semiindustrial beneficios (see Appendix K).

The industrial beneficios (privatized beneficios) were able to survive the coffee crisis. Once the crisis had hit, only those beneficios with the most capital could continue functioning. While nearly all of the governmental support programs had been withdrawn, some loans and resources remained through private banks, some government agencies, and foreign investment. Those beneficios with good credit and ability to pay back outstanding loans (the larger and some medium-scale beneficios) were able to obtain some additional resources. Still, they were affected by the coffee crisis.

The semiindustrial beneficios (partly unionized beneficios) found themselves in the same situation. Some of these beneficios were able to find the resources or capital necessary to support the loans. Those facilities that were not (such as the smaller beneficios) closed down and sold their properties.

The rural and family beneficios (unionized beneficios) were stunned by the coffee crisis. They were unable to obtain financial credit or loans and were forced to pay back

outstanding debts that they had accumulated prior to neoliberalism and NAFTA. As I mentioned earlier, nearly all of the enterprises (especially smaller and medium-scale) functioned from crop to crop with some sort of outside financial assistance. The lack of financial support and the pressure by the local, state, and national governments to repay loans caused the smaller *beneficios* to fold. Unlike the middle level of the commodity chain, the extreme lower level of the commodity chain was virtually forced to fend for itself. Because some of these enterprises were associated with unions and smaller level *productores*, they too collapsed because of the coffee crisis (Diaz Cardenas 1992, 1993b; Diaz Cardenas et al. 1993; Diaz Cardenas et al. 1994; Santoyo Cortes et al. 1994).

NAFTA has brought the importers closer to the *beneficios*. Some semiindustrial and industrial *beneficio* owners feel that this encroachment by the importers could be a good thing for the operations of the *beneficios*. For example, when I talked to Alejandro Guillaumin (Rafael Guillaumin's son) at his *beneficio* in Huatusco, he elaborated on this possibility. If the larger *beneficios* were to formalize relations with upper level interests (e.g., multinational interests), they could receive better technology and more capital to make their operations more efficient.

Like many others in the Huatusco area, however, Mr.

Rafael Guillaumin expressed his fear that the upper level interests would ultimately take over the lower level operations. This additional transition would force various coffee employers and employees to lose their jobs and possibly emigrate from the area. The MNC interests could very well keep coming to Mexico, Veracruz, and Huatusco for overall cheaper costs. According to the information I collected, local coffee actors and citizens see this shrinkage of the system as negative.

Compradores

The level of the compradores exhibits many of the same characteristics that it had prior to neoliberalism and NAFTA. The independent compradores, however, have all but disappeared just as the independent exporters. The independent compradores that remain sell primarily to the private and large scale beneficios. As previously noted the unionized beneficios (familiar, rural, and semiindustrial) were also impacted. The concurrent effects for the compradores from the unions mirrors that of the unionized beneficios. While the contracted compradores maintain the same structure as before, now their business dealings have slightly changed.

The activities of the contracted compradores that have changed center around their informal and formal negotiations. These agreements between beneficios and productores ensure that coffee crops reach their respective

place after harvesting. These agreements have become more formalized since the coffee crisis because the larger beneficios have been trying to stabilize their faltering profits by purchasing more coffee. They increased these formal agreements out of fear of losing all of their operations. Now the relations between compradores and productores are more formalized to assure the purchase of coffee. In addition, the number of beneficios, compradores, and productores has diminished. This decapitalization of the lower level has caused a decrease in regional and local competition.

Productores

As was the case for the beneficios many of the productores experienced the severe impacts of neoliberalism and NAFTA. The abolishment of governmental support programs ended coffee production for many of the productores. The medium and smaller productores were affected the most (Diaz Cardenas 1992; Santoyo Cortes et al. 1994).

Because the larger and some medium productores were able to obtain financial resources from private banks, some government agencies, and other outside sources, they were able to survive the crisis. But the remaining medium and nearly all of the smaller productores were forced to make serious changes. Diaz Cardenas interviewed many medium and smaller productores toward the later stages of the coffee crisis. He asked the productores how they would adapt if

the prices for coffee continued to be low. Over 50 percent said they would maintain their coffee trees and continue producing coffee, even with low prices. The remainder gave varied responses. One such response was that they would introduce other types of coffee plants into their coffee properties. For example, some productores are introducing the *Typica* species of *Coffea Arabica*, or arabica coffee. The costs (planting, pruning, and harvesting) are lower for this style of coffee, although it yields a lower output (Santoyo Cortes et al. 1994). Other productores answered that they would lower their asking price for coffee. Others said they would plant other agricultural products such as corn, beans, and fruits to supplement the loss in income. Others said they would sell some of their assets to make up for lost finances. Still other productores said they would go to the city and find salaried work or take their families and emigrate from the area.

Diaz Cardenas then asked: "What can you do to resolve the problems that you have? And those of the community?" Over 34 percent expressed the need to organize. Over 26 percent expressed the need for financial credit, employment, and maintaining and/or changing their coffee properties.

Workers

Prior to neoliberalism and NAFTA many people from the familiar and rural *beneficios* were also employed as workers

for the medium and large productores. Because they have lost their coffee properties, many of these workers emigrated from the area looking for employment opportunities (Diaz Cardenas 1992). Other workers went to the city looking for employment. The small number of respondents that own coffee, as indicated on the urban survey, supplement their incomes by working in low skilled, low wage jobs. Those respondents that owned coffee before the coffee crisis also now work in low skilled, low wage jobs. These jobs tend to be in the primary sector (cutting coffee) or in the secondary sector (domestic laborer, electrician, or carpenter).

The local and migrant coffee workers who were unable to supplement their loss in income experienced the most severe impacts of neoliberalism and NAFTA. For example, I talked with three directors of local medical facilities. They told me that as a result of the crisis more unemployed coffee workers developed illnesses (e.g., gastro-intestinal disorders, malnutrition, influenza). Because of limited resources, these medical facilities struggled to meet the needs of more unemployed coffee workers and other local citizens.

Addressing Neoliberalism and NAFTA in the Coffee Commodity System

Most of the coffee actors in the lower level of the commodity system have been seriously impacted by neoliberalism. Many farmers are looking for alternatives to

supplement their crops and their incomes. Alternatives that I heard so much about during my research period were selling property or agricultural diversification. Farmers are either joining a union looking for more financial support, changing the kind of coffee that they have grown before, selling their coffee property, or choosing to rely on sugar cane, beans, corn, zarzamora (or blackberries), other fruits and vegetables, cattle, or a mixture of crops along with their already existing coffee crop. The research extension of Chapingo is providing information about the newer crops (e.g., zarzamora, chayote [a tropical fruit], and macadamia) to help farmers diversify (Diaz Cardenas et al. 1993; Santoyo Cortes et al. 1994).

Because governmental financial support is no longer extant (for smaller and medium operations), there have been two important sources of support developed for Huatusco and the regional coffee system: 1) a financing program developed by the main credit union of Vidal Martinez, with the help of Mr. Guillaumin and the local government; and 2) a new coffee enterprise formed by the Chapingo extension research institute. The first program is designed mainly to help medium- and larger-level operations function with financial assistance and information services. The second program is a conglomeration of educational and financial services by union organizations designed to help small and medium operations.

The second program is part of a new movement that is being fostered by Chapingo. The push to form cooperatives is reflected in the research extension's development of their program *Cafe-Cambio '96* (Coffee-Change '96). With the help and guidance of representatives from Costa Rica, *Cafe-Cambio '96* is designed to integrate various levels of the coffee commodity chain in an effort to help smaller and medium productores and beneficiadores to maintain their coffee properties without resorting to selling their coffee property or other land holdings. The group is also bringing together various financial institutions from the area to implement a program that gives some financial assistance and other support to those in need. Just as ejidos and the communal land ownership system existed in the past, a cooperative is the trend to offset the damages incurred by the political/economic changes. A cooperative is "an enterprise or organization owned by and operated for the benefit of those using its services" (Babcock Gove 1993, p. 501).

As I discussed the idea of the cooperative with a professor at Chapingo, he noted that a cooperative could be used in a number of different ways. It could be formed at all levels within a commodity chain and/or it could exist as a number of different cooperatives within each level of a commodity chain (e.g., a cooperative consisting of various levels within the commodity chain, a cooperative of workers,

a cooperative of productores, or a cooperative of beneficios). These cooperatives allow for the concentration of capital and assets and, in this case, would allow the participants to do what they do best under their own guidance. Chapingo provides special assistance to the cooperative(s).

Another aspect of organization consists of organized unions. Although a union is essentially the same in organizational structure as a cooperative, there usually is a major leader or faction within a union that assumes most of the power. Unions have been in place for quite some time in Mexico and they provide an important branch of power in the political system.

Vertical integration by cooperatives and unions forces the coffee actors to integrate at least two levels of the coffee commodity system. This process could result in the loss or gain of power. In the case where one level of the chain decides to integrate with another level of the chain (producers with beneficios), the lower level of the chain could retain some of its bargaining power. On the other hand, if beneficiadores decide to integrate with foreign importers, the transformation of power could consolidate even more in the hands of the upper level interests.

This transition within the coffee commodity system depicts one of the objectives of neoliberalism and NAFTA, to promote development through increased foreign investment

throughout various commodity chains in Mexico. For Huatusco, these changes signal a move from a producer-driven to a buyer-driven commodity chain. The appearance of a buyer-driven commodity chain means that the multinationals are coming to the Huatusco area to buy coffee from the beneficios. This change could signify that in the future the MNCs will assume complete control over the middle level and increasingly gain control over the lower level of the commodity system. Local leaders, citizens, and farmers do not want to lose what little power they have in the commodity system.

Effects of and Reactions to NAFTA within Huatusco

As I have already illustrated, the coffee commodity system is the vital component in maintaining economic and social well-being of the region and local citizens. Changes in the commodity system create changes directly in the local community. Because of neoliberalism and NAFTA the commodity system has changed, and so has the local community.

The Economy

Tertiary, secondary, and other primary sector activities of the local economy are closely tied to the coffee commodity system. When the changes occurred in the commodity system, the transitions caused a reduction in local revenue. The coffee crisis, and the concurrent national economic crisis, caused a general loss of capital by big and small business owners, local coffee actors, and

the average community citizen (Diaz Cardenas 1993b; Santoyo Cortes et al. 1994). In addition, interest rates skyrocketed and availability of financial credit disappeared. These financial constraints led to the loss of various kinds of properties (e.g., vehicles and coffee properties).

The urban survey indicated that 15 percent of the respondents had experienced problems with local banking and credit institutions between 1989 and 1993. The urban survey also indicated that 21 percent of our respondents had lost a job because of the coffee crisis and 55 percent of our respondents had experienced a drop in their wages since 1989.

As the research team walked around the community, we could see the consequences of neoliberalism and the coffee crisis. Houses and business buildings had been halted in the middle of construction. In one instance we saw a large residential apartment complex with over 100 units that had nearly been completed. Now it stands there, unfinished, as a bare concrete structure with no inhabitants.

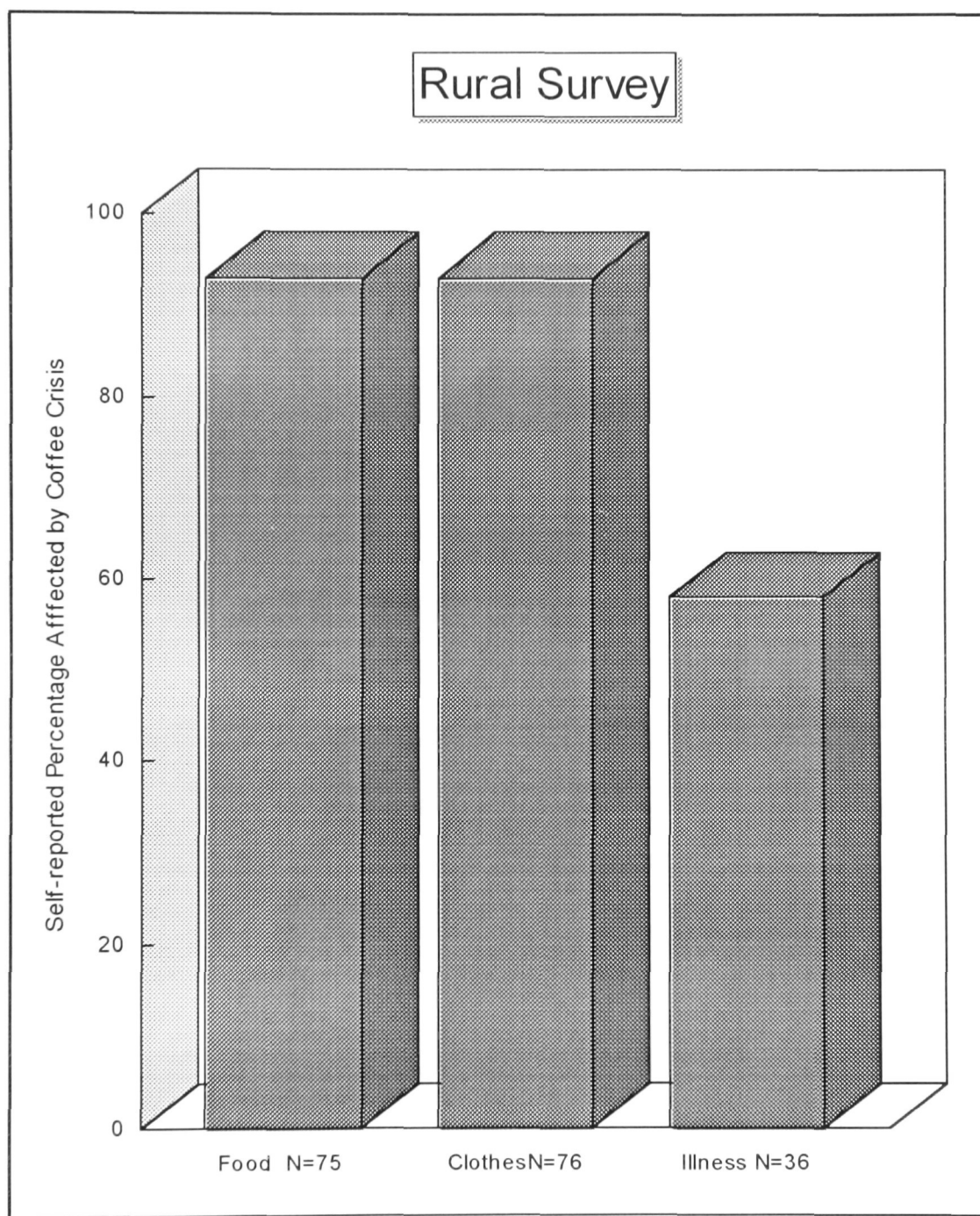
As a result of increased unemployment and a substantial drop in wages, local citizens lost purchasing power for the basic necessities. Both the rural and urban surveys depict these impacts. The questions posed on the rural and urban surveys asked respondents if their families were affected by the coffee crisis in terms of less food, less clothing, and

more sicknesses. The data in figures 18 and 19 are these results. As expected, the rural area felt the most impact. Rural Huatusco respondents felt the most impact in terms of purchasability of food and clothing. Urban Huatusco respondents felt the most impact in terms of purchasability of clothes.

Health. I was told by health officials from the three primary health care insitutions that health in Huatusco and the surrounding region is related to the success of the annual coffee crop. When I asked about the general health situation in Huatusco during and after the coffee crisis, all three administrators expressed the seriousness of the situation.

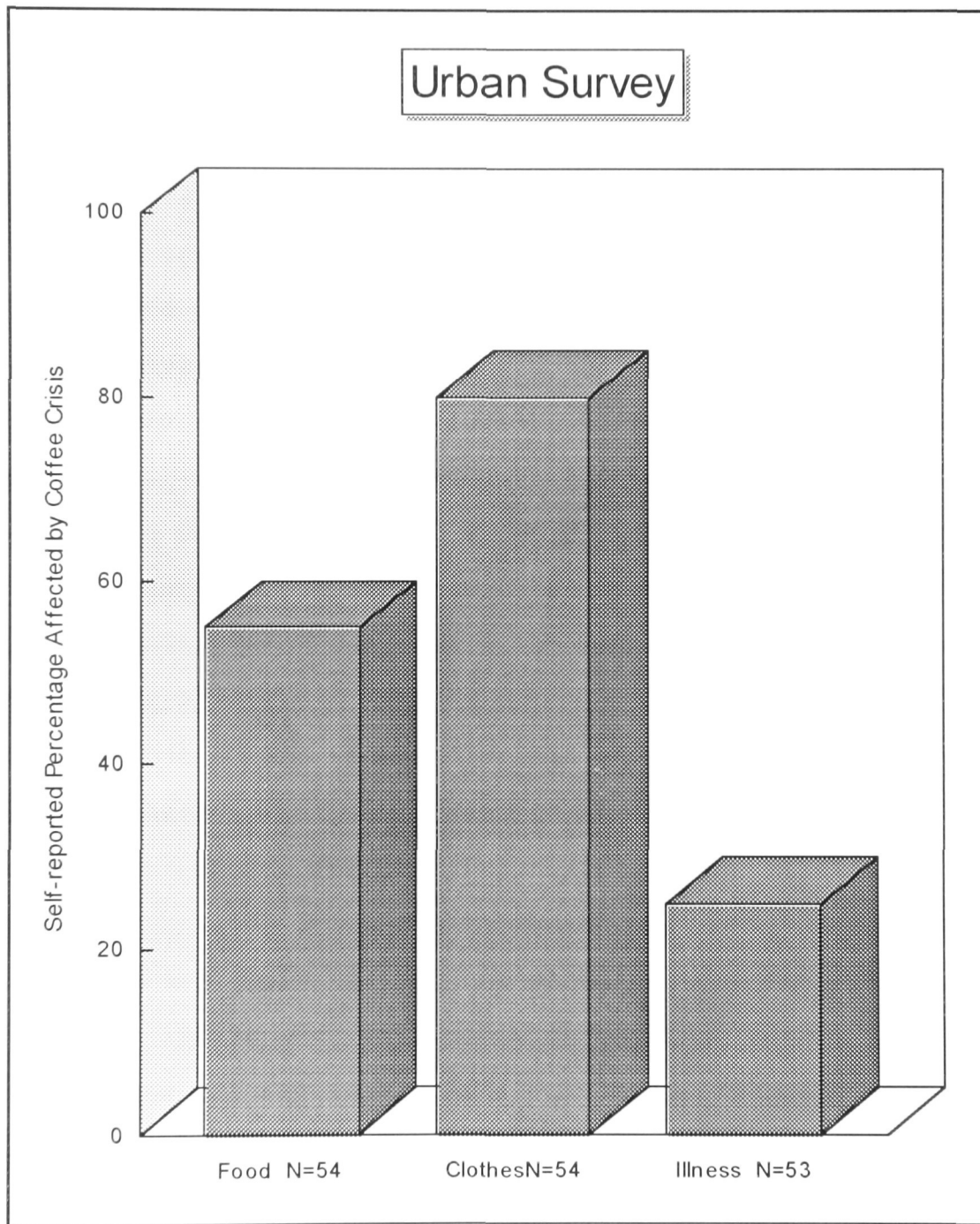
The director of the Cruz Roja Mexicana told the research team that during February and March the facility usually receives many patients in need of medical care. This time of the year is the harvest period when many migrant workers are in the area. For many this is the only time during the year that they can receive access to free health care. During the coffee crisis the Cruz Roja was unable to meet the overwhelming health care needs of its clients. With undernutrition, fewer resources, and an increase in disease, coffee workers and local citizens crammed the facility in need of health care services. Since the coffee and economic crises, the Cruz Roja has been trying to expand its service capacity to meet the local

Figure 18. Self-Reported Percentage Affected by Coffee Crisis (Rural Survey)



Source: Data from Rural Survey.

Figure 19. Self-Reported Percentage Affected by Coffee Crisis (Urban Survey)



Source: Data from Urban Survey.

demands.

The director of the Sanatorio Huatusco told the research team about similar issues with their institution and services. They too had more clients and saw more instances of health problems. On a different note the director was also a former independent exporter. He has lost that operation because of the coffee crisis.

With a lack of money and resources during the coffee crisis, fewer people were able to be treated for even the most simple ailments. Of course, influenza and gastrointestinal problems are serious problems in the developing world. Although we were unable to obtain the statistical data, physicians at the Hospital Lima told me that mortality and under-nutrition rates increased during the coffee crisis.

Because of the economic crisis and lack of government support the hospital was forced to change the way it administers its resources. During the coffee crisis there were many clients and patients who did not have sufficient resources and could not pay the mandatory fee for medical services. Those who were unable to pay the fee did not receive medical services. As a result the hospital had to switch to a more cost efficient way of addressing the local health problem. They, like other area health facilities, switched from treating to preventing illnesses. We were able to obtain summary reports from the Hospital Lima. In

Figure 20 I have listed the total number of patients that were attended to from 1987 (two years before the coffee crisis) to 1995 (five years after the crisis).

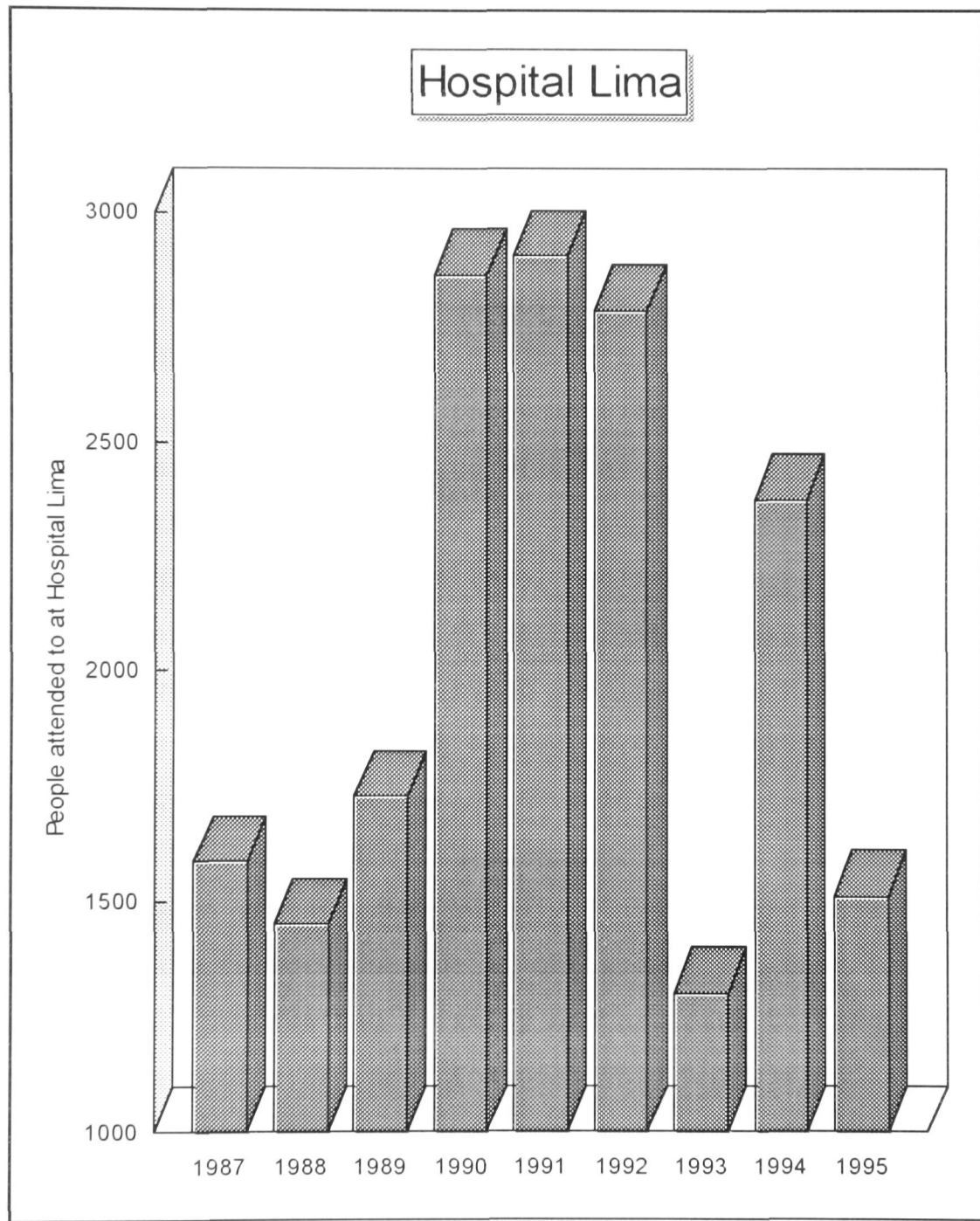
The coffee crop of 1988 was recorded as being one of the better coffee crops in the history of coffee in Huatusco (Santoyo Cortes et al. 1994). Just two years later the worst crop ever was recorded. The total number of patients attended to from 1990-1992 was almost double the number of patients attended to from 1987-1989. In 1993 the coffee prices had become better, and we can see the significance this coffee price rebound had for the local health situation. As we were told, during good crops, when profits are at their highest, the health situation is good. When the crops are bad crops, the profits and resources are low, and the health situation is bad.

Addressing Neoliberalism and NAFTA in Huatusco

There are continued efforts to develop alternative crops such as macadamia, zarzamora, chayote, and other fruits for the national and international markets. Not only did residents tell me that agricultural diversification is important to local development, but they see developing the secondary sector is important as well. A number of residents told me that service, construction, and industrial employment opportunities were needed in the regional and local area.

The local government faces many tasks for the future.

Figure 20. Number of People with Health Problems Attended to at the Hospital Lima



Source: Hospital Lima Archives.

In the past they have used government funding to supply area residents with electricity, adequate water, and drainage systems. At the current rate of population increase and economic decline, these areas of infrastructure, that are already inadequate, will shortly become weakened and further deteriorated. The neoliberal policy changes, although adding decline to the short-term problems, are designed to inject foreign investment and development capital into the country for long-term solutions. If foreign investment does not develop new employment opportunities, then the rural communities throughout Mexico will have even more difficult times in the future.

One alternative to the local decline is emigration. Emigration in Huatusco has three characteristics. Some people have moved from the rural area to urban Huatusco. Others are moving to larger cities (e.g, Veracruz City and Mexico City). Some are opting to emigrate to the United States.

We asked on the urban survey, "Have you had some family member leave to work outside of the area?" Of those surveyed 27 percent had a family member leave to find work due to the coffee crisis. For most this emigration was for temporary work (80 percent of those responding "yes"). On the rural survey Diaz Cardenas asked, "Do you have family or friends in the immediate area or outside of the region that will support you in case you want to leave?" Over 70

percent of those surveyed indicated that they had family or friends living in the nearby area or outside of the region that would support them in if they wanted to emigrate there. Those areas of most importance were in the port city of Veracruz (55 percent), other regions of the country (8 percent), and Mexico City (6 percent). When Diaz Cardenas asked respondents if they had had any experience working outside of the immediate region, he found that 56 percent had worked in the port city of Veracruz, 4 percent in other regions of the country, and 1 percent in Mexico City.

An additional aspect of emigration that was not revealed with the urban and rural surveys is emigration to the United States. From talking with workers in the local area, I learned that since the coffee crisis more people have emigrated to the United States searching for work. One resident in urban Huatusco told us that he went to the United States; and after accumulating enough money, he returned to Huatusco. He was able to build a house completely of concrete and to open an automobile repair shop. Another resident in the rural area told us that he knew a number of people that had emigrated to the United States for work. He too was thinking about emigrating north for stable employment.

Attitudes and Perspectives toward NAFTA

I expected almost everyone in the community would have something negative to say about NAFTA. In the previous six

months I had learned the near devastation that neoliberalism and NAFTA had brought to Mexico and to Huatusco. Our urban survey helped us to capture some of the feelings of resentment towards neoliberalism and NAFTA.

The urban survey indicated that 76 percent of our respondents had heard of NAFTA. After talking with local citizens, however, I learned that their knowledge of NAFTA was limited (as is the knowledge of NAFTA in the United States). Their knowledge of NAFTA's purposes, its provisions, and its possibilities was based on what they had heard from the television, the radio, and from their family and friends.

I proceeded to conduct statistical analyses on local perspectives regarding NAFTA. I first conducted a crosstabulation to see if those who had heard of NAFTA thought that NAFTA would help Mexico (Table 5). Some 61 percent who had heard of NAFTA thought it would not help Mexico. I then conducted a crosstabulation to see if those who had heard of NAFTA thought NAFTA would help Huatusco (Table 6). Over 57 percent who had heard of NAFTA thought it would not help Huatusco.

Because coffee is so important to the community (and will be for some time to come), I believed that we would find some relevant data illustrating local perception regarding the impacts of neoliberalism and NAFTA on the local coffee industry. In Table 7 I present a frequency

Table 5. Those Who Have Heard of NAFTA on Whether NAFTA
Will Help Mexico

Think NAFTA Will Help Mexico	Have Heard of NAFTA
Yes	13 (32%)
No	25 (61%)
Maybe	3 (7%)
Total	N=41 (100%)

Source: Urban Survey.

Table 6. Those Who Have Heard of NAFTA on Whether NAFTA
Will Help Huatusco

Think NAFTA Will Help Huatusco	Have Heard of NAFTA
Yes	14 (33%)
No	24 (57%)
Total	N=38 (90%)

Source: Urban Survey.

distribution of local respondents' opinions about the future of coffee in Huatusco. Only 27 percent said coffee had a good future in the community. Another 35 percent were undecided, and over 39 percent said coffee had a bad future in Huatusco.

I then compared respondents' opinions of their families

Table 7. Local Opinion of Coffee's Future in Huatusco

Opinion	Coffee's Future
Good	14 (27%)
Undecided	19 (35%)
Bad	21 (39%)
Total	N=54 (100%)

Source: Urban Survey.

in Huatusco and their opinions of coffee's future in Huatusco (Table 8). The respondents were not confident about coffee's future, but were, nevertheless, generally optimistic about the future of their families in Huatusco. Even those who felt that coffee's future in Huatusco was bad were optimistic about their own families' future in Huatusco (67%). The association between coffee's effect on the community and how respondents view the future of their families in the community is shown in Table 8.

Conclusion

Mexico's preparation for NAFTA was characterized by a restructuring of governmental programs and economic change. The objectives of neoliberalism and NAFTA are to increase foreign investment in Mexico in order to develop Mexico at a quicker pace. To promote these objectives it was necessary for the national government and other participating parties to weaken their support for the domestic economic structure.

Table 8. Effects of Beliefs about the Future of Coffee in Huatusco on the Beliefs about the Families' Future in Huatusco

Families' Future	Coffee's Future		
	Good	Undecided	Bad
Optimistic	9 (64%)	6 (32%)	14 (67%)
Unsure	3 (21%)	5 (26%)	5 (24%)
Bad	1 (7%)	7 (37%)	2 (10%)
Don't Know	1 (7%)	1 (5%)	0 (0%)
Total (N=54) (100%)	14 (26%)	19 (35%)	21 (39%)

Source: Urban Survey.

The coffee commodity system and Huatusco were two areas clearly affected by this process.

I previously noted four issues that I wanted to address in the qualitative aspect of this thesis. The first was the past, present, and future structure of the coffee commodity system. The second was the impacts of neoliberalism and NAFTA, via the coffee crisis, on the community. The third was opinions, beliefs, and perspectives of the local community about the coffee commodity system. The fourth was local perception about the future of coffee in the community in relation to neoliberalism and NAFTA.

What I found was that the impacts of neoliberalism and NAFTA on the coffee commodity system have been characterized

as transition of power. Neoliberalism and NAFTA have eliminated and/or weakened various levels within the coffee commodity system due to the the economic pressure of national change. On the surface the middle level (importers and exporters) has changed the most. Before, local and regional exporters fulfilled most of the role of transporting coffee to the respective point of the sale. Now, the importers from the upper level of the chain (e.g., multinational interests) are beginning to come directly to Huatusco to purchase coffee and transport it back to their facilities in the United States.

Beneath the surface, local and regional power were affected by neoliberalism. Productores, compradores, and beneficios were severely impacted. Many coffee actors feel these factors will result in an ever increasing encroachment by the upper level upon the lower level. As the upper level appears to take over the functions of the middle level, the lower level becomes ever more fearful. They fear that they will lose their remaining local and regional power as the upper level comes closer.

Because the coffee commodity system has been hard hit by neoliberalism and NAFTA, the local community of Huatusco has also been impacted. The local economy has been destabilized. Unemployment rates have increased and local wages have fallen. These factors have contributed to poor nutrition and many health problems because of a lack of

financial resources.

As a result of the local crisis, citizens are looking for alternatives. Among the alternatives, coffee owners are diversifying the crops grown to include corn, beans, and other commodities. The rate of emigration has increased. Rural residents have emigrated to urban Huatusco. Others have emigrated to other areas such as Veracruz, other regions of the country, and Mexico City. Still others are emigrating to the United States.

At the beginning of this chapter I presented a number of research questions that I wanted to address in this thesis. I will address each of these research questions beginning with research question one.

Research Question One: Was there an increase of lost coffee properties as a result of neoliberalism and NAFTA?

The quantitative data from both the rural and urban surveys do not indicate that there was a direct correlation between neoliberalism and NAFTA and a loss of coffee properties. Rather, owners of the coffee properties are diversifying their crops to supplement the loss of income related to coffee.

Research Question Two: Did citizens experience a loss of employment due to neoliberalism and NAFTA?

The quantitative data from the urban survey indicate that many people lost their jobs as a result of neoliberalism and NAFTA. These two pieces of data lead me to believe that the unemployment rate was higher.

Research Question Three: Did citizens experience a reduction in salary as a result of neoliberalism and NAFTA?

While respondents indicated that they had lost their jobs as a result of neoliberalism and NAFTA, the urban survey also indicates that a reduction in salaries occurred as a result of neoliberalism and NAFTA (see p. 94).

Research Question Four: Did citizens experience a loss of property as a result of neoliberalism and NAFTA?

Survey data indicated people had lost property as a result of neoliberalism and NAFTA. There was not, however, a sufficient number of those who indicated that they had lost property to answer this question.

Research Question Five: Did citizens experience a reduction in basic foodstuffs as a result of neoliberalism and NAFTA?

The data from both the rural and urban surveys indicate that respondents experienced a reduction in basic foodstuffs as a result of neoliberalism and NAFTA. The greater impact was felt in rural Huatusco.

Research Question Six: Did citizens experience a reduction in the amount of clothes they could buy as a result of neoliberalism and NAFTA?

The data from both the rural and urban surveys indicate that respondents experienced a reduction in the amount of clothes they could buy as a result of neoliberalism and NAFTA. Once again rural Huatusco felt the greater impact.

Research Question Seven: Did citizens experience an increased rate of sicknesses due to neoliberalism and NAFTA?

The data from both the rural and urban surveys indicate that respondents experienced an increased rate of sickness

due to neoliberalism and NAFTA. In addition, the data collected from the various health institutions in Huatusco supports this conclusion.

Research Question Eight: Do citizens believe NAFTA will help Mexico?

A majority of the respondents on the urban survey (61%) thought that NAFTA would not help the country. While not particularly educated about the context of NAFTA, local respondents still feel it will not help the country.

Research Question Nine: Do citizens believe that the future of coffee is good in Huatusco?

A majority of the respondents on the urban survey felt unsure about the future of coffee in Huatusco. About 35 percent said it was difficult to predict the future of coffee, and 38 percent said it would have a bad future.

Research Question Ten: Do citizens believe NAFTA will help Huatusco?

The first nine research questions now lead to the ultimate question of research question ten. A majority of the respondents (63%) felt that NAFTA would not help the community.

In sum, the coffee commodity system has changed since the onset of neoliberalism and NAFTA. Most of the local citizens feel that coffee's importance will decrease in the short- and long-term futures. They feel that the local economy must diversify, and job opportunities must be brought to the area in order to bring to balance to the community and to keep the community from becoming even more

economically restricted.

Canada, the United States, and Mexico expect hardship cases such as Huatusco's to be addressed over the long-term with the passing of NAFTA. Will NAFTA help relieve the economic and social pressures of this rural community in the central zone of Veracruz? As I have demonstrated here in Chapter VI, the short-term answer is a definite no.

CHAPTER VII

CONCLUSIONS

In the modern era the face of international economic integration is being transformed by regional trading blocks. The path for these trading blocks has been paved by the neoliberal push for formalized political and economic agreements. In the Western Hemisphere the passing of NAFTA is expected to increase wealth, to encourage development, and to decrease poverty. However, not all areas throughout this new regional trading block will experience the benefits of NAFTA. What are the theoretical justifications of NAFTA? How much will it help and whom will it help? How much will it harm and whom will it harm?

As scholars have documented, promoting modern development has not been a simple scientific task. Modern development perspectives (Cardoso and Faletto 1979; Dos Santos 1970; Furtado 1963; Gonzalez Casanova [1965](1970); Gunder Frank 1966; Prebisch 1978; Sunkel 1970) show this complexity. These scholars illustrate the importance of history when considering development. They also illustrate the positive and negative influence on development by international and domestic policies. Maybe most important,

they illustrate the negative effects on development by dependent trade mechanisms. These early critics have laid the basis for Wallerstein's world-systems analysis. In the context of the world-system areas are defined as core, semiperipheral, or peripheral according to their level of economic development.

Hopkins and Wallerstein (1982) note that, to analyze development within the context of the world-system, one must take into consideration historical, political, economic, and other social changes (e.g., national, state, or local development). One way to examine these interrelations and development is through the organization of commodity systems. Does NAFTA take these particular factors regarding development into consideration?

For Mexico to enter into a trilateral free trade agreement with the United States and Canada, it has had to reformulate its political and economic structure. These neoliberal changes enable Mexico's political and economic structure to operate in conjunction with those of the United States and Canada. While the three participating nations are now economically compatible, areas throughout Mexico are experiencing different impacts. I provided a case study of these impacts by examining Huatusco, Veracruz. By using the global commodity chains approach I was able to understand the articulation between levels of the world-system by delineating the coffee commodity system. The coffee

commodity system is the major economic source for the community of Huatusco.

Huatusco is located at the foothills of the Sierra Madre Oriental in the central zone of Veracruz. The central zone is characterized as an agriculturally rich, mountainous region. Over time the coffee crop has helped the central zone to achieve a moderate level of development.

Compared to other rural communities in Mexico, Huatusco has a semi-developed, structural system. However, poverty persists throughout the community. Huatusco's economy is dependent on the agricultural production of coffee. Since 1970 there has been a population boom. The unemployment rate is increasing and the wages are decreasing. People in Huatusco have low levels of education and poor housing, and their level of nutrition is most often dependent on the profit of coffee.

A large part of this thesis project defined and delineated the before and after structure of the coffee commodity system. I first provided a brief historical description of the coffee commodity system and then elaborated on its structure. I discussed the workers, compradores, beneficios, exporters, importers, trading houses, roasters, retailers, and the consumers.

The sudden withdrawal of international and domestic governmental support programs caused severe impacts within the coffee commodity system. As domestic enterprises

faltered, foreign capital has assumed more power. While previously maintaining producer-driven characteristics, the coffee commodity system is now taking on buyer-driven characteristics. This transition means that the upper level of the commodity system is taking on the functions of the middle level. The upper level is coming increasingly closer to the lower level (see Appendice J and K).

At one time international and domestic programs helped coffee actors located in the central zone of Veracruz to survive from crop to crop. With government support the coffee actors were able to profit and, thus, retain capital in the regional and local areas. Although most of the profit was monopolized in the hands of the wealthy (by regional and local standards), the programs directly and indirectly fostered development in the regional and local areas. With the ending of international and domestic subsidy programs the middle and lower levels of the system contracted.

A lack of resources among the middle- and lower-level Mexican enterprises caused many to decapitalize their operations. A lack of capital and resources caused a disruption between the lower and the middle level of the system. All of the Mexican facilities were impacted as illustrated in Appendix K, some more than others.

Regional and local exporters were forced to downsize and/or close their operations. The unionized beneficios,

who benefitted the most from the domestic and international programs, were also forced to downsize and/or close their operations. Like the independent exporters, the independent compradores have all but disappeared. The small and medium productores decapitalized and/or closed their operations. As shown in Chapter IV the workers and the local community ultimately felt the impact of these transformations.

Local citizens on the lower level are fearful of these changes in the coffee commodity system. They could mean that in the future coffee actors in Huatusco could be forced to sell their equipment, facilities, and land.

The transition that occurred between the onset of neoliberalism and the signing of NAFTA in the coffee commodity system resulted in a regional and local coffee crisis. The coffee crisis caused an increase in local poverty, disease, and underdevelopment. As shown through the urban survey unemployment increased and local wages dropped. As learned from the urban and rural surveys local citizens experienced losses in the basic necessities. As shown in the hospital data a dramatic increase in health problems appears to be another result of the coffee crisis. The community is still seeking alternatives and is devising new strategies for diversification to offset their present and long-term problems.

The question that now arises is what does all this mean for Huatusco? The quickness of the neoliberal reforms have

resulted in multiple economic and social problems for local citizens. There has been a regional and local loss of power in the coffee commodity system. As a result there are fewer resources and less developmental capital in the community. In the refined, free-market, capitalistic system Huatusco is expected to pull its resources together to find its own niche in the global economy.

The lower level of the coffee commodity system is currently trying to produce and introduce specialty coffees into the international market. The local community is pursuing alternative crops and their introduction into the domestic and international market. The unemployment and low wages have pushed some local citizens to resort to emigration.

The long-term situation for the coffee commodity system depends on national, state, regional, and local recovery from neoliberalism, the coffee crisis, and NAFTA. As I have mentioned, regional and local power in the coffee commodity system is in transition. Maintaining remaining power depends on resources, programs, and special projects for those regional and local coffee actors in need. Their survival may depend on the role of private and multinational interests in the area. As I have already mentioned, the lower level fears, rather than hopes for, the increasing encroachment of private and multinational interests in the area.

The bottom line for Huatusco is the availability of resources. As the coffee commodity becomes less and less viable for the community, Huatusco must find alternative economic resources. The community must develop new commodities, have capital introduced to the immediate area, or grant lucrative incentives to outside enterprises to locate their facilities in the immediate area. These alternatives, however, must not be introduced at the expense of the environment or at the expense of the regional and local citizens.

This thesis has been exploratory and descriptive-analytic in nature. I have attempted to assess the impacts of neoliberalism and NAFTA on the coffee commodity system and the community of Huatusco, Veracruz. It is important to note that this thesis is the beginning of an ongoing research project that will examine the impact of neoliberalism and NAFTA over time in this community. Future researchers will be able to gauge how the community adjusts to these changes and pressures over the medium- and long-term.

This thesis does have weaknesses. First, due to a lack of financial resources, I was unable to spend an extended period of time in the community. Some limited time in Mexico was spent learning the language. Collecting more data, an even further detailed description and analysis of the coffee commodity system, and an in-depth analysis of the

community would require at least one year of fieldwork.

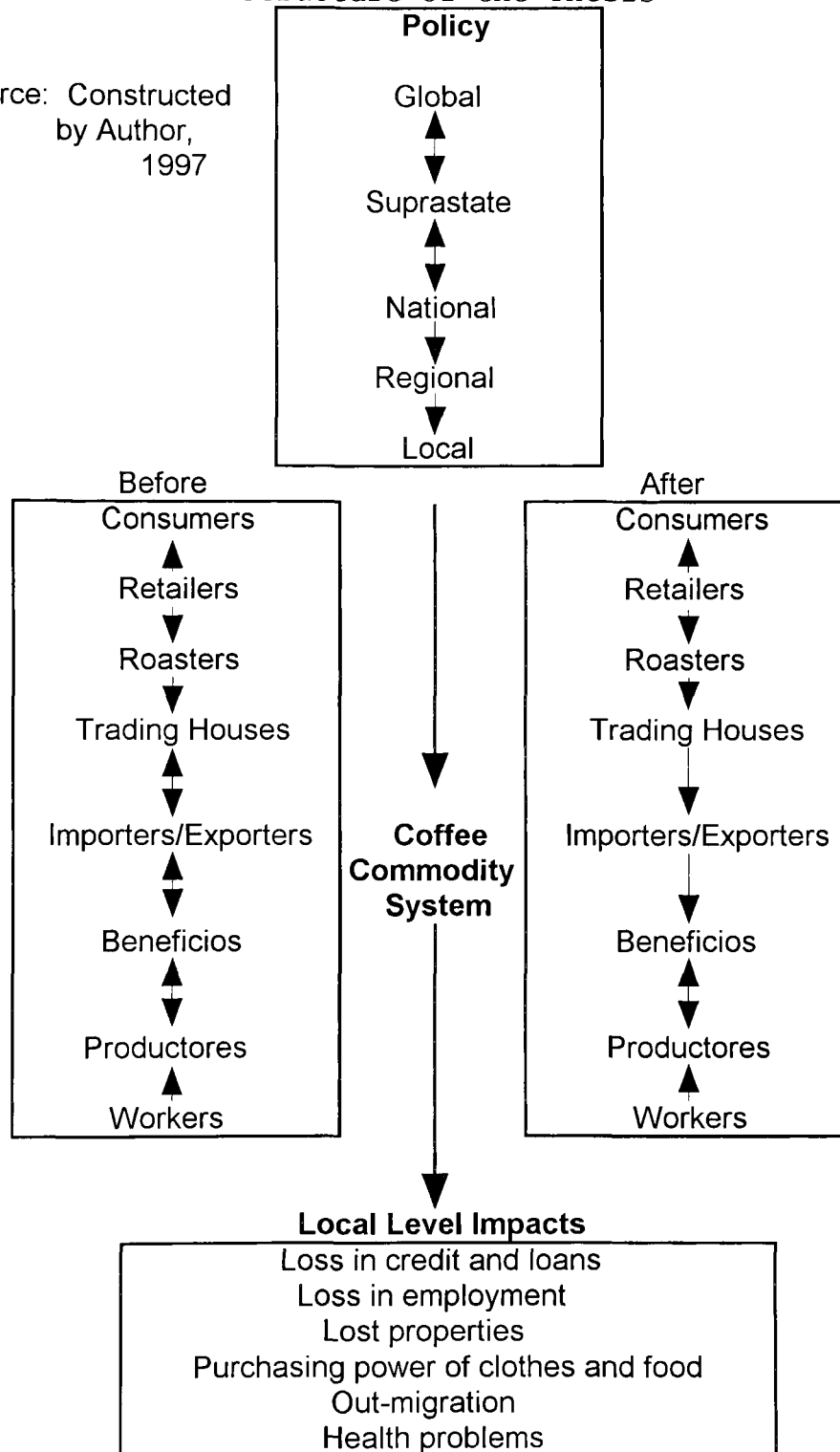
Nonetheless, I do believe that I have addressed the major questions presented in this study. As Canada, the United States, and Mexico enter into the 21st century as an economic unit, many changes and problems will arise. The first of these kinds of problems has been examined with this thesis. Whether Huatusco will be able to rebound from the impacts of neoliberalism remains to be seen. Indications of NAFTA helping Huatusco are not yet evident.

In the United States we often do not realize that decisions made on a global, international, or even national level do have direct impacts on people in the remote communities in the world. With this thesis I have demonstrated how influential international and national policies can be on local environments. Through commodity systems the world-economy and its citizens are more integrated than most people realize. As the world-system takes on new and challenging characteristics, the decisions that are made not only affect the world-economy but also the international distribution of income and/or national and state development. Those decisions ultimately affect all communities and all citizens.

APPENDIX A

Structure of the Thesis

Source: Constructed
by Author,
1997



APPENDIX B

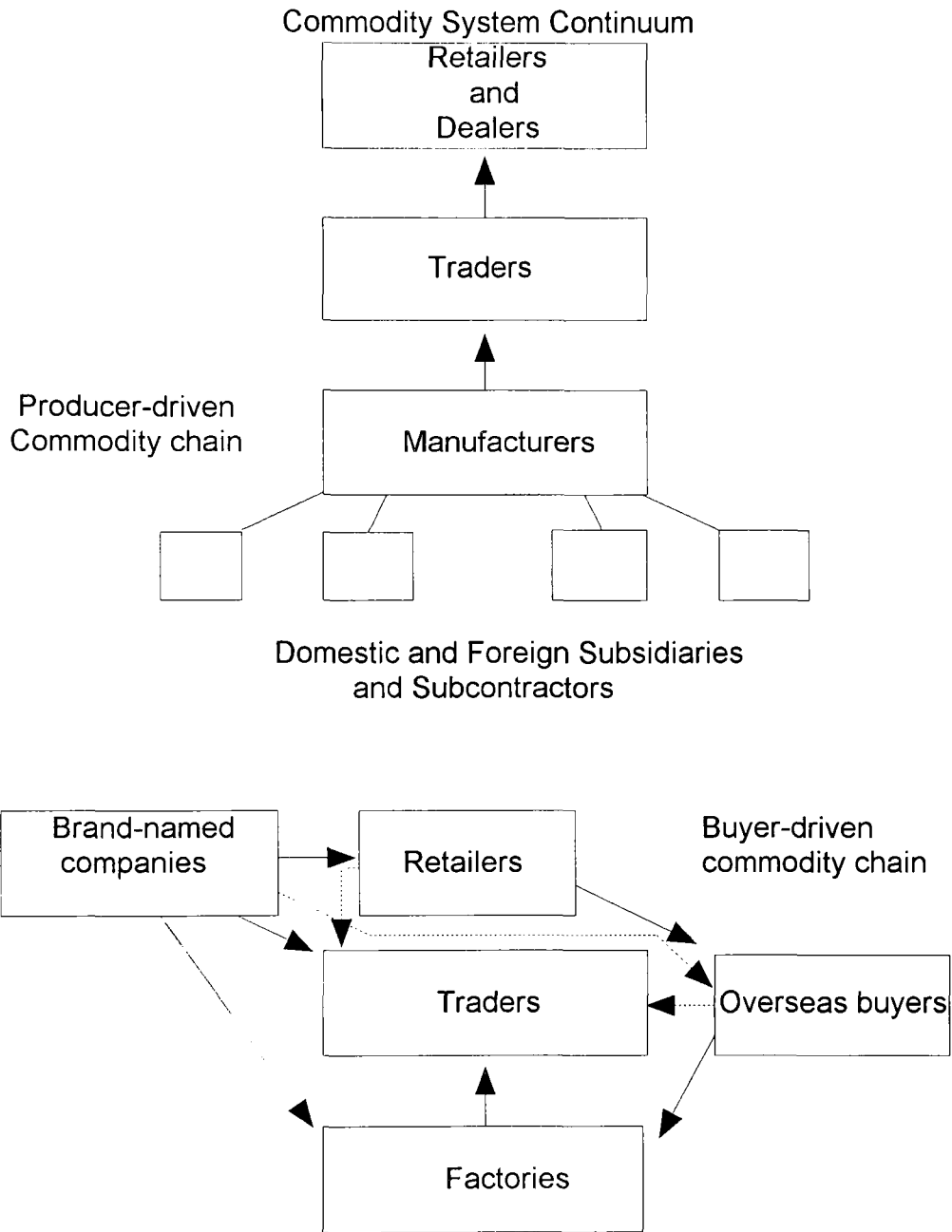
Structure of a Commodity System

- I. Brief History of Export Operation
- II. Production
 - A. Planting cycle
 - B. Key problems
 - C. Output
 - D. Costs
 - E. Investment
- III. Packing
 - A. Description of operations
 - B. Key problems
 - C. Amounts exported
 - D. Costs
 - E. Investment
- IV. Transportation
 - A. Description of service
 - B. Key problems
 - C. Costs
- V. Marketing
 - A. Type of arrangement (producer-exporter-importer)
 - B. Key problems
 - C. Costs
 - D. Marketing results
 - E. Local market

- VI. Financing
 - A. Sources
 - B. Key problems
 - C. Terms
- VII. Governmental role
- VIII. Economic analysis
 - A. Profitability
 - B. Break-even

Source: Revised After Goldberg 1974, p. 167-68.

APPENDIX C

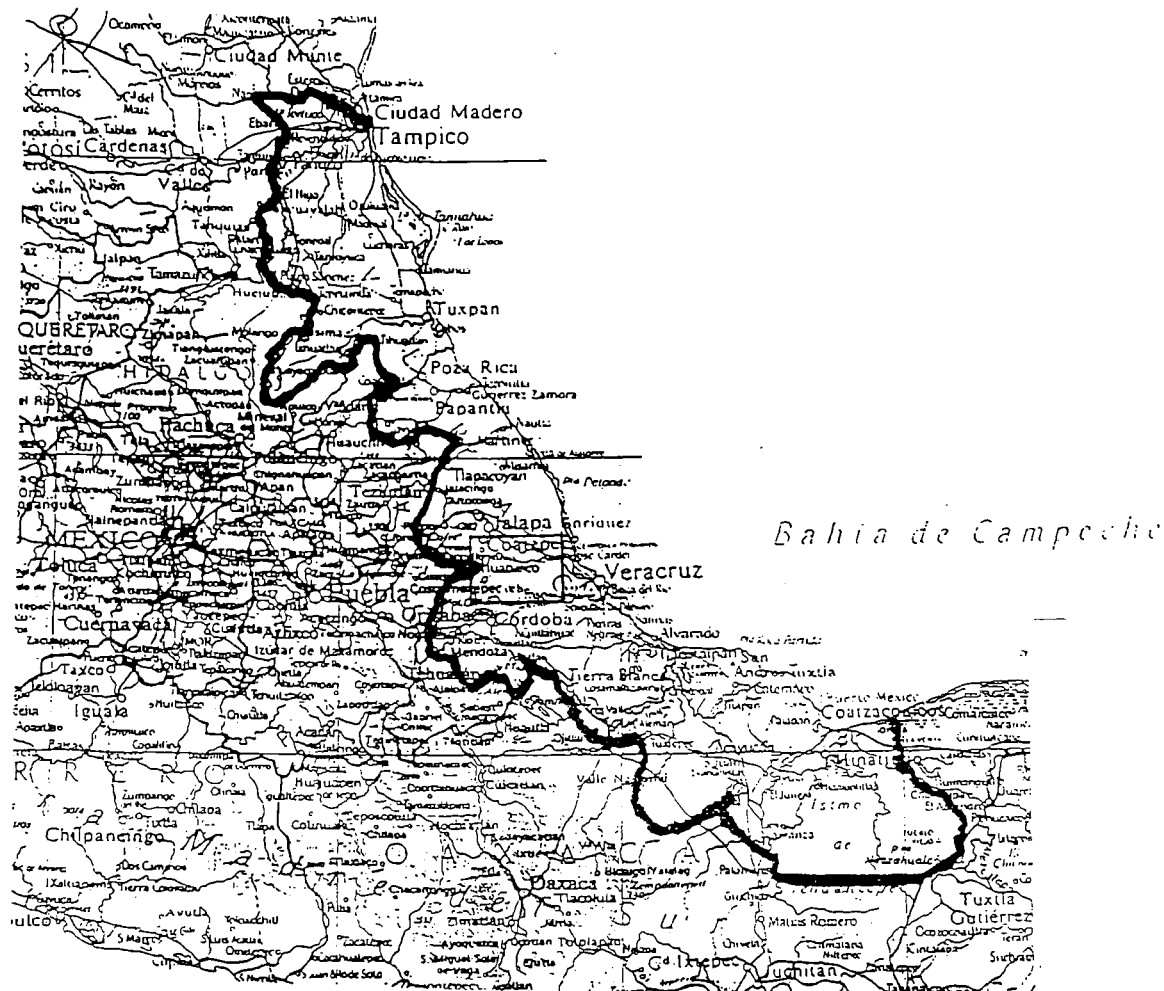


Solid arrows are primary relationships;
dashed arrows are secondary relationships

Source: Revised After Gereffi 1994, p. 98.

APPENDIX D

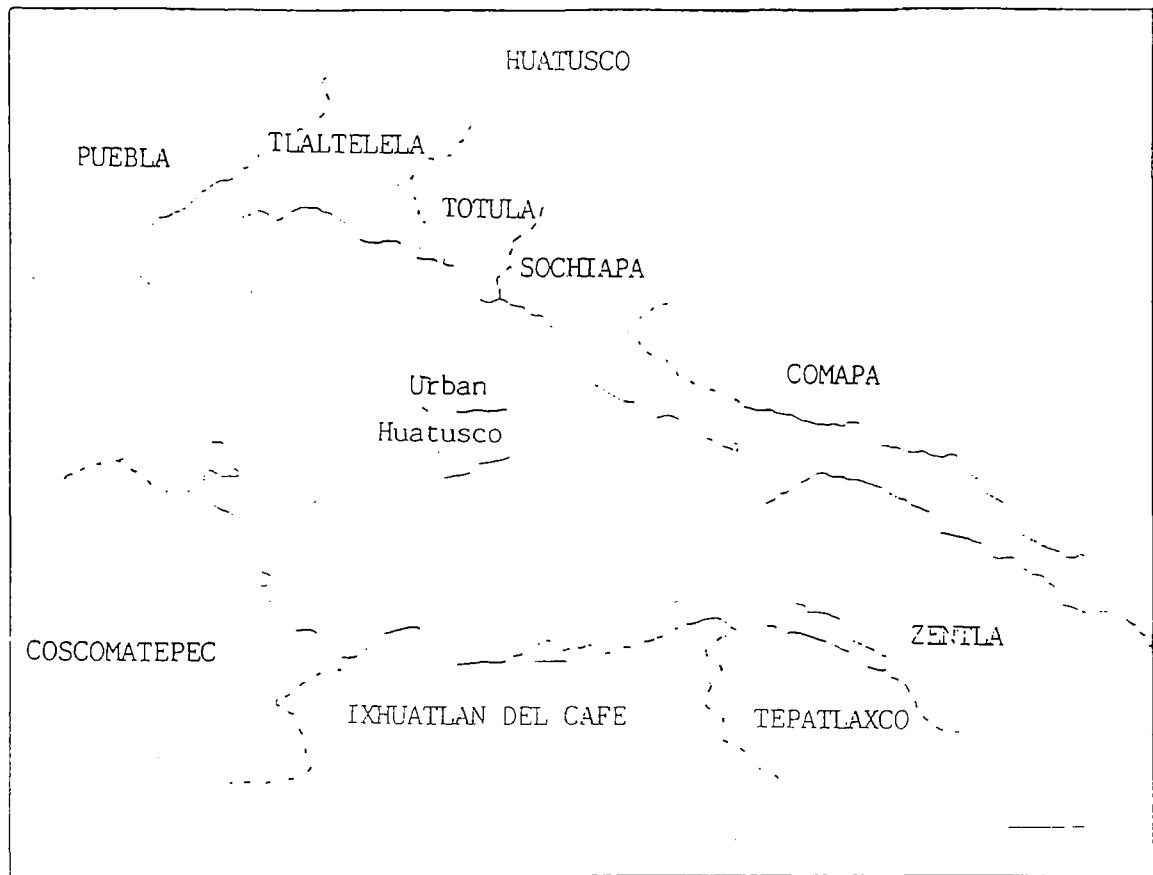
State of Veracruz



(Random House Atlas of the World 1992, p. 115)

APPENDIX E

Municipial Area of Huatusco



(Ranzahuer Rodriguez Rogelio Ruiz Melchor 1994)

City Map of Urban Huatusco



APPENDIX G

Proposed Questions

What do you know about the North American Free Trade Agreement (NAFTA)?

How do you think NAFTA is going to affect your life? Your community?

Do you think NAFTA is a good thing or a bad thing? Why?

What do you like about NAFTA?

What do you dislike about NAFTA?

How important is the production of coffee to you and your community?

In your eyes how has the production of coffee changed in the past 10, 20, and 30 years?

How much money do you make?

Do you make more money now than in your previous job?

How long have you lived in your current house?

Why were you able to move? When?

Do you think people have more money today than they had two years ago? Why is that?

Have your profits increased/decreased since the passing of NAFTA?

What is your job? What was your previous job? When?

What kinds of skills do you have?

What is your age? What are the ages of your family members?

What are your plans for the future? For your family?

Have you had any changes in employment in recent years?

APPENDIX H

Urban Survey

Entrevistado _____ Entrevistador _____
(Interviewee) (Interviewer)

Colonia _____ Calle _____ Fecha _____
(Neighborhood) (Street) (Date)

No. de muestra aleatoria _____ No. de casa _____
(Sequence number) (Address of house)

1- Su casa es: Propia () Rentada () Otro _____
(Your house is: Owned Rented Other)

2- Cuantos anos tiene de vivir en esta casa? _____
(How many years have you lived in this house)

3- Cuantos anos tiene de vivir en Huatusco? _____
(How many years have you lived in Huatusco)

4- Cuantas personas viven en esta casa?
(How many people live in this house)

Total _____ menores de 10 anos _____ de 10 a 20 anos _____ mas de 20 _____
(less than 10 years) (between 10 to 20 years) (more than 20)

5- La vivienda cuenta con servicios de:
(The habitation has the services)

a) Agua potable Si () No ()
(portable water) (Yes) (No)

b) Drenaje Si () No ()
(drainage) (Yes) (No)

c) Energia Electrica Si () No ()
(electric energy) (Yes) (No)

d) telefono Si () No ()
(telephone) (Yes) (No)

6- Material de construccion de la vivienda?
(What is the house constructed of)

Muros _____ techos _____ piso _____
(walls) (ceiling) (floor)

7- En que trabajan las personas que viven en esta casa?
 (What type of work do the people living in this house have)

Persona (Person)	1	2	3	4	edad (age)
a					
b					
c					
d					
e					
f					
g					

8- Posee alguna finca de cafe? SI () NO ()
 (Do you own some coffee property) (Yes) (No)

Tamano de la finca? tareas _____ hectareas _____
 (Size of the property)

Quien la trabaja? _____
 (Who works it)

Como se le paga? _____
 (How do you pay them)

Cuanto se le paga? _____
 (How much do you pay them)

9- Siembra otros cultivos? SI () NO ()
 (Do you grow other crops)

Cuales? _____
 (What others)

10-Tenia alguna finca de cafe antes? SI () NO ()
 (Did you have some coffee property before)

Cuando la vendio? _____
 (When did you sell it)

Por que? _____
 (Why)

Impacto de la crisis del cafe a partir de 1989
(Impact of the coffee crisis beginning from 1989)

11- Como ha afectado la crisis del cafe a esta familia?
(How has the coffee crisis affected this family)

- | | | |
|--|--------|--------|
| a) Menor alimentacion
(Less basic foods) | SI () | NO () |
| b) Menos compra de ropa
(Bought fewer clothes) | SI () | NO () |
| c) Los ninos no van a la escuela
(The children did not go to school) | SI () | NO () |
| d) Mas enfermedades
(More sicknesses) | SI () | NO () |
| e) Ha perdido el empleo
(Lost employment) | SI () | NO () |
| f) Ha disminuido el salario
(Loss in salary) | SI () | NO () |
| g) Ha perdido casa
(Lost house) | SI () | NO () |
| h) Ha perdido otra propiedad
(Lost other property) | SI () | NO () |
| i) No visita al medico aunque lo
necesite.
(Did not visit the doctor although
it was needed) | SI () | NO () |
| j) No compra medicinas aunque las
necesite.
(Did not buy medicines although
they were needed) | SI () | NO () |

12- Algun miembro de la familia ha salido a
(Some member of the family had left to

trabajar fuera work out of the area)	SI ()	NO ()
---	--------	--------

13- La salida es:	Temporal ()	permanente ()
(The leaving is:	temporary	permanent)

- 14- Ha tenido problemas de deudas con el banco de 1989 a 1993?
(Have you had debt problems with the bank between 1989 and 1993)

SI () NO ()

Por que? _____
(Why) _____

Despues de 1994? SI () NO ()
(After 1994)

Por que? _____
(Why) _____

- 15- En su opinion cual es el futuro del cafe en Huatusco?
(In your opinion what is the future of coffee in Huatusco)

- 16- En su opinion cual es el futuro de su familia en Huatusco?
(In your opinion what is the future of your family in Huatusco)

17- Ha oido hablar del T.L.C.? SI () NO ()
(Have you heard of NAFTA)

En su opinion ayudara a Mexico? SI () NO ()
(In your opinion will it help Mexico)

Como? _____
(How) _____

En su opinion ayudara a Huatusco? SI () NO ()
(In your opinion will it help Huatusco)

Como? _____
(How) _____

Observaciones _____
(Observations) _____

APPENDIX I
UNIVERSIDAD AUTONOMA CHAPINGO
DIRECCION DE CENTROS REGIONALES
MAESTRIA EN DESARROLLO RURAL REGIONAL

"PROYECTOS DE DESARROLLO EN COMUNIDADES CAFETALERAS: POSIBILIDADES Y LIMITANTES EN LA REGION DE HUATUSCO, VER"

CUESTIONARIO PARA CAFETICULTORES

Productor: _____ Comunidad y municipio _____
Fecha: _____ Entrevistador _____

I. LA PRODUCCION DE CAFE

1. En su cafetal. qué variedades tiene? señalar importancia en superficie o número de plantas:

Typica _____ . Mundo Novo _____
Borbón _____ . Garnica _____
Caturra _____ y otras _____.

¿Cuándo cambió de variedades? _____

¿Por qué? _____

¿Qué variedades piensa seguir propagando (sembrando)?

2. Como realiza la propagacion del café ahora

- a) Plantas del cafetal (manchón).....()
- b) Selecciona semilla de su cafetal.....()
- c) Compra: semilla () pesetilla () plantón ()
- d) Realiza semillero-vivero: En tierra () En maceta ()
- e) Produce plantón en vivero: En tierra () En bolsa ()

Observaciones: _____

¿Realiza tratamiento a la tierra? NO () SI () _____

¿Antes y durante la intervención de INMECAFE como obtenía las plantas? _____

¿Aplica a las plantas en el vivero algunos productos químicos fertilizante: Al suelo () Foliar ()

Otros productos _____

3. Las plantas de café y los árboles de sombra, a qué distancia los siembra?

Plantas de café _____ Especies _____

Arboles de sombra _____

Sistema _____

Esta forma de sombrear el cafetal. ha cambiado? _____

¿Cuándo y por qué? _____

4. Posee algunas parcelas con policultivo? _____ Superficie _____

plátano clones _____

naranja variedad(es) _____

limón _____

macadamia especie _____

otras _____

observaciones: _____

5. Cómo realiza el control de malezas?

machete () azadón () herbicidas ()

Frecuencia: planta joven cafetal en producción

con bajo precio _____

precios altos _____

6. Cómo realiza la fertilización?

	veces/año	producto	cantidad/ha
con precio bajos	_____	_____	_____
precios altos	_____	_____	_____

7. Lleva a cabo alguna práctica de conservación de suelos?

NO () SI () _____

8. ¿Con qué frecuencia ha llevado la poda de su cafetal?

FRECUENCIA

	cada año	cada dos años	no realiza
con bajo precio	_____	_____	_____
precios altos	_____	_____	_____

9. Ha realizado control de plagas y enfermedades en sus cafetos?

Con bajos precios: SI () NO ()

Precio alto: SI () NO ()

Especificar: _____

10. Lleva a cabo reposición de fallas de su cafetal?

	cada año	cada 2 años	no realiza
Con bajos precios	_____	_____	_____
Con altos precios	_____	_____	_____

11. En la cosecha de café

	con bajo precio	precio alto
¿Cuál es el rendimiento?	_____	_____

Con bajo precioCon alto precio

Proporción de mano de obra

a) familiar _____

b) contratado _____

✓ Volúmen total cosechado _____

12. Cómo realiza la venta de su café?

, café cereza

✓ café pergamino

proporción, lugar condición proporción lugar condición

alto precio _____

bajo precio _____

Observaciones: Intermediarismo. Organización, tipos de producto:

13. Ante la caída de los precios del café ¿qué acciones ha realizado? numerar en orden de importancia.

a) Reducir limpias.....()

b) No realizar podas.....()

c) Disminuir fertilización.....()

d) No realizar viveros y replantes.....()

e) Introducir otras especies al cafetal.....()

f) Sembrar maíz y frijol.....()

g) Cambiar de cultivo.....()

h) Emigración de integrantes de la familia.....()

i) Organización para obtener créditos.....()

j) Organizarse para beneficiarse.....()

k) Vender parte de la parcela u otros bienes.....()

l) Utilizar más la mano de obra familiar.....()

m) Rentar, asociarse con productores o empresas()

n) ¿Si continúa el precio bajo del café o este aumenta. qué cambios realizará en su cafetal?_____

ñ) Otras opciones. Especifique_____

II.- CARACTERISTICAS GENERALES DE OTROS CULTIVOS

Cultivo _____ Clase de tierra _____
 Superficie _____ Ha _____ Variedad(es) _____
 Fecha de siembra _____
 Semilla/ha _____ Fertilización: producto _____
 _____ cantidad/ha _____
 Control de plagas y enfermedades _____

 Periodo de cosecha _____ Rendimiento _____
 Destino del producto _____
 Mano de obra requerida: total _____/ha familiar _____
 contratada _____
 Importancia con y sin crisis del café _____

 Problemática y perspectivas _____

Cultivo _____ Clase de tierra _____
 Superficie _____ Ha _____ Variedad(es) _____
 Fecha de siembra _____
 Semilla/ha _____ Fertilización: producto _____
 _____ cantidad/ha _____
 Control de plagas y enfermedades _____

 Periodo de cosecha _____ Rendimiento _____
 Destino del producto _____
 Mano de obra requerida: total _____/ha familiar _____
 contratada _____
 Importancia con y sin crisis del café _____

 Problemática y perspectivas _____

III. UNIDAD DE PRODUCCION: RECURSOS PRODUCTIVOS, CONOCIMIENTO TECNOLÓGICO Y ORGANIZACION PARA EL TRABAJO

1. ¿Qué cultivos ha trabajado en su parcela y de qué otros conoce su manejo? _____

2. ¿Cuál es la superficie total disponible?
a) propia _____ b) Rentada _____ c) A medias _____
d) prestada _____ e) otra _____
3. Para los cultivos, ganadería u otros usos en base a qué decide la distribución de su tierra? _____

4. ¿A parte del cultivo del café, de qué otras fuentes obtiene los ingresos necesarios para su familia? _____
a) Comercio _____ b) Agroindustria _____
c) Trabajo asalariado _____ e) ganadería de solar _____
5. ¿Recibe crédito de alguna institución, particulares, familiares o amistades? _____

6. ¿Qué importancia tiene cada fuente de ingreso? _____

7. ¿Cómo decide lo que va a gastar de lo que consiguió para las actividades que puede o quiere hacer? _____

8. ¿Cuántos miembros tiene su familia y cómo se reparten el trabajo? _____

9. ¿Del total de trabajo necesario, cuánto realiza con su familia y qué parte con personal contratado? _____

10. ¿Qué tipo de relaciones de ayuda en el trabajo establece con otros productores ? _____

11. ¿Ha participado en cursos, pláticas, demostraciones de INMECAFE, otras instituciones o grupos?
 a) número y fecha _____
 b) qué cultivo _____ c) etapa del cultivo _____
 d) duración _____ e) teórico — práctico _____
 f) utilidad y aplicación _____

12. ¿Hace mejoras en sus cultivo a partir de comentarios e información de otros productores o familiares? ¿cómo lo hace?

- ¿Quiénes? _____
 Frecuenciae importancia _____

- Ejemplos: _____

IV. ASPECTOS SOCIOCULTURALES

1. Efectos adicionales en la crisis del café en :

- a) menor alimentación _____
- b) disminución de compra de ropa _____
- c) ausentismo escolar _____
- d) mayor incidencia de enfermedades _____

2. ¿En anteriores caídas del precio del café, qué ha hecho?

3. ¿Ha pertenecido a alguna organización ? _____ ¿considera que las acciones se pueden desarrollar mejor en forma individual u organizada? _____ ¿por qué? _____

4. ¿En los trabajos conjuntos de la comunidad, cómo considera su participación? _____

¿ Puede o quiere hacer más? ¿Por qué? ¿Cómo? _____

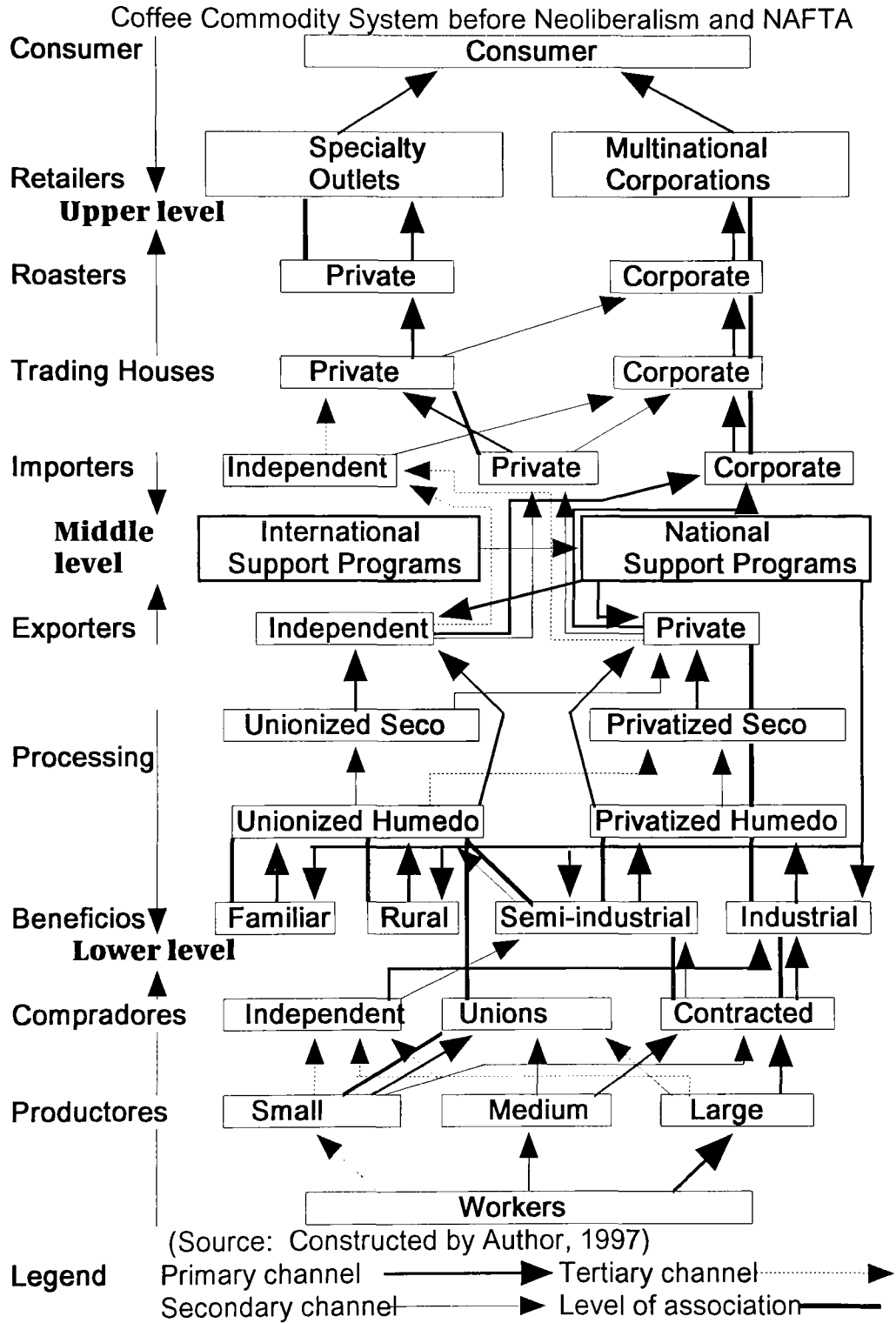
5. ¿Que estudios realizó? _____ ¿Lee con frecuencia? _____

6. ¿Participa en la elección de representantes de la comunidad, autoridades municipales, estatales y federales? _____

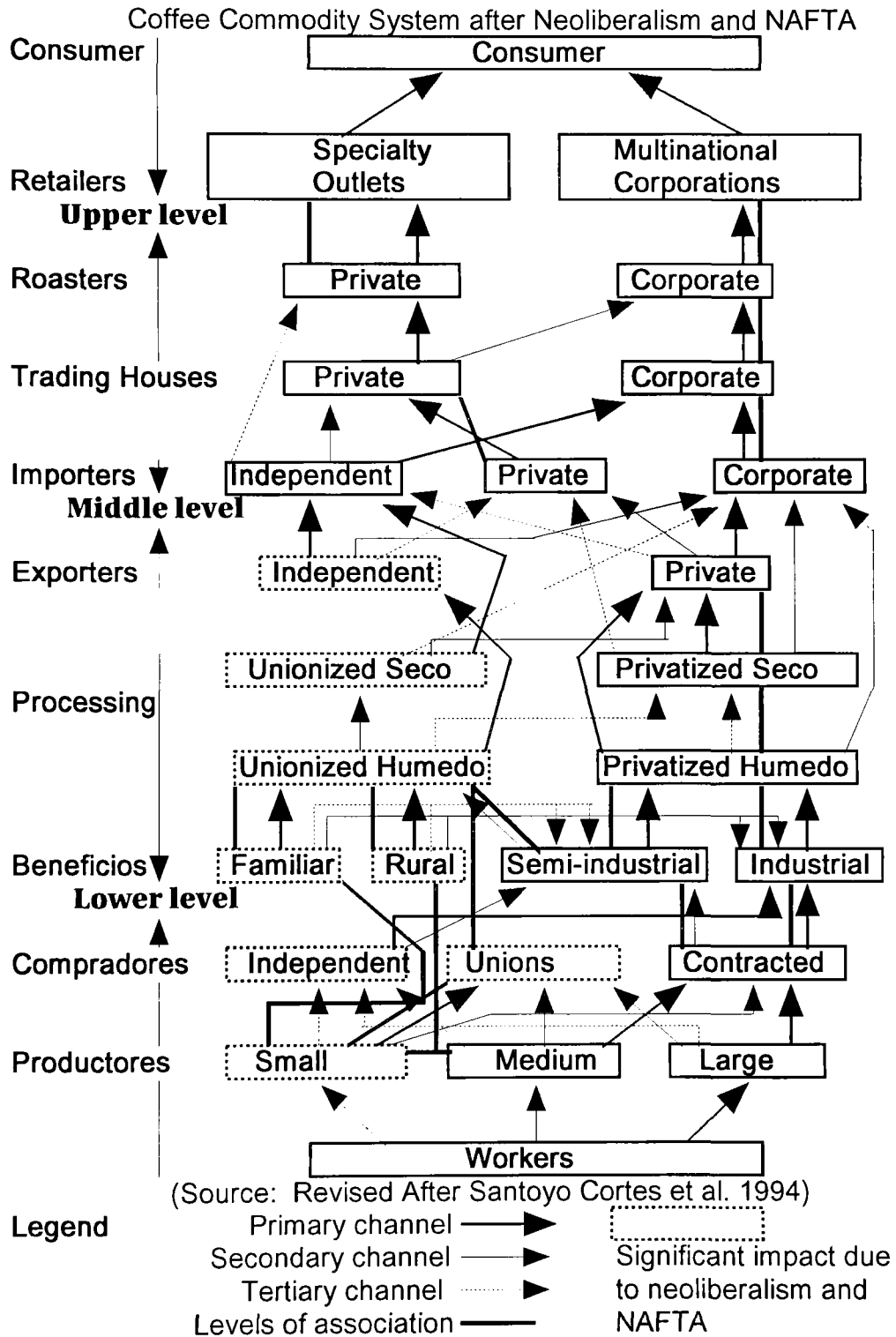
_____ ¿Está afiliado a algún partido político? _____

7. ¿Acostumbra participar en eventos religiosos? _____ ¿hay presencia de otras religiones en la comunidad? _____
¿Cuál prefiere? _____
¿Porqué? _____
8. ¿Qué experiencia de trabajo a tenido o conocimientos ha adquirido fuera de la comunidad? _____
9. ¿Tiene familiares o conocidos en la región o fuera, que le apoyen en caso que quiera salir? _____
10. Aparte de los bajos precios del café, para usted cuáles son los principales problemas que enfrenta? _____
11. ¿Qué podría hacerse para resolver los problemas que tiene usted? ¿Y los de la comunidad? _____
12. Otros comentarios y observaciones _____

APPENDIX J



APPENDIX K



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